



INTERFOR

Building Value™

2013
Annual Report

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FINANCIAL HIGHLIGHTS

(in millions of dollars, except share and per share amounts)

	2013	2012 Re-stated ⁽²⁾
Financial Summary		
Sales	1,105.2	849.2
Adjusted EBITDA ⁽¹⁾	134.0	59.9
Net earnings (loss)	42.2	(9.5)
Per Share Data		
Net earnings (loss) per common share		
- basic and diluted	0.73	(0.17)
Price range per share		
High	13.92	8.72
Low	7.82	4.26
Net book value per share	8.17	6.73
Operating cash flow per share before working capital change	2.14	0.83
Weighted average shares outstanding (millions)	57.7	55.9
Financial Position		
Total assets	824.1	632.0
Total debt	145.5	135.0
Total shareholders' equity	515.1	376.0
Invested capital ⁽¹⁾	655.9	496.1
Financial Ratios (%)		
Net debt as a % of invested capital, adjusted ⁽¹⁾	21.5%	24.2%
Pre-tax return on total assets ⁽¹⁾	5.3%	(1.4%)

Notes:

(1) See Glossary on page 103 for definition.

(2) See Note 4 of Notes to Consolidated Financial Statements for description of restatement.

"2013 was a year of significant progress for Interfor. Better business conditions along with the gains from strategic decisions taken in recent years resulted in the best year for the Company since 2006."

Message to Shareholders – February 2014

For further highlights, please see the 2013 Message to Shareholders and Management's Discussion and Analysis on the following pages.

2013 MESSAGE TO SHAREHOLDERS

OVERVIEW

2013 was a year of significant progress for Interfor. Better business conditions along with the gains from strategic decisions taken in recent years resulted in the best year for the Company since 2006.

Highlights for the year included:

- Record production and sales volumes;
- Significantly improved earnings;
- Excellent start-up and results from Grand Forks rebuild;
- Growth in the U.S. Southeast;
- Additional timber acquired in the B.C. Interior;
- Successful equity and fixed rate debt issues; and
- Elimination of dual class share structure.

Subsequent to the end of the year, Interfor announced it had reached agreement to acquire Tolleson Lumber Company in the U.S. Southeast, adding to the platform established in that region in 2013. The Tolleson transaction, when completed, will increase Interfor's total production capacity to more than 2.6 billion board feet, placing the Company in the top five lumber producers in North America. More important, it will set the stage for increased profitability and additional growth in the years ahead.

I invite you to review the material covered in the next few pages and later in this report and to form your own views on our progress. Please feel free to forward any comments you have to me directly at duncan.davies@interfor.com.

RECORD PRODUCTION AND SALES VOLUMES AND HIGHER PRICES CONTRIBUTE TO IMPROVED RESULTS

Interfor continued to ramp up production and sales activity in 2013.

For the year, lumber production was up 28% to 1.73 billion board feet from 1.35 billion board feet in 2012, with the Company's operations in B.C. and the U.S. Pacific Northwest accounting for 84% of total production and the mills acquired during the year in the U.S. Southeast accounting for the balance.

Sales volumes, including agency and wholesale activities, were up from 1.43 billion board feet in 2012 to 1.76 billion board feet last year.

Product prices followed a pattern similar to that experienced in 2012 with strong prices in the first quarter of the year followed by a fairly significant correction in the second quarter as demand in both the domestic and export markets waned. Prices reached their low point for the year in June before recovering slowly, regaining a degree of momentum in the fourth quarter as activity levels in North America improved and offshore markets resumed buying.

For the year, the Random Lengths Composite Index, which measures pricing levels for a basket of products, increased from US\$322 in 2012 to US\$384 in 2013.

In financial terms, the benefits of increased production and sales volumes and higher prices had a positive impact on Interfor's financial results in 2013.

For the first time in the Company's history, sales revenue exceeded \$1 billion, coming in slightly above \$1.1 billion for the year, compared with \$849 million in 2012.

Net earnings amounted to \$42.2 million or \$0.73 per share in 2013 versus a loss of \$9.5 million or \$0.17 per share in 2012.

EBITDA reported before one-time items and share-based compensation expense totaled \$134.0 million versus \$59.9 million a year earlier.

STRATEGIC INITIATIVES MAKE IMPORTANT CONTRIBUTIONS

Interfor has invested actively in recent years to enhance the Company's strategic position and to improve profitability. The gains from these investments were clearly evident in 2013.

The Adams Lake sawmill, which was rebuilt at a cost of \$99.7 million during the 2007-09 period, ran exceptionally well and delivered strong returns in 2013.

The Grand Forks sawmill, which was acquired in 2008 and rebuilt in 2012 at a cost of \$28.7 million, commenced start-up in December 2012, hit full stride early in the year and delivered impressive results in 2013.

And, in 2013, Interfor invested for the first time in the U.S. Southeast with the acquisitions of Rayonier's Wood Products Business in March and the sawmilling assets of Keadle Lumber Enterprises in July.

These acquisitions involved a total of four sawmills located in south central Georgia with an effective production capacity at the time of purchase of 330 million board feet. Once certain capital upgrades have been completed, the combined annual production capacity of the four mills will be 535 million board feet.

The acquisitions were financed from Interfor's credit lines and made an immediate and significant contribution to our results during the year.

Equally important, the acquisitions established a foothold for Interfor in the U.S. Southeast, a market we had been looking to enter for many years, and where we believe more opportunities for growth exist.

Interfor was active on the acquisition front in Canada during 2013 as well.

In May, we acquired two timber tenures in the southern B.C. Interior representing an allowable annual harvest volume of 174,000m³. Once these licences have been integrated into our operations, the incremental supply will support additional operating hours and production at our sawmill at Castlegar.

Similar to the Rayonier and Keadle acquisitions, the B.C. tenure acquisition was financed from our established credit lines.

TOLLESON ACQUISITION ANNOUNCED

Shortly after year-end, Interfor announced agreement to acquire Tolleson Lumber Company of Perry, Georgia from Ilim Timber Continental, S.A. for total consideration of US\$129.9 million plus 3.68 million Class A Subordinate Voting Shares.

The Tolleson mills will add more than 400 million board feet of production to Interfor's existing platform in Georgia and further establish the Company's presence in the U.S. Southeast.

The transaction is scheduled to close in mid-March.

EQUITY AND FIXED RATE DEBT ISSUES SOLIDIFY INTERFOR'S BALANCE SHEET; CREDIT LINE EXPANDS

In August, Interfor took advantage of a strong equity market by agreeing to a bought deal equity issue with a group of Canadian underwriters. The transaction, which closed in September, resulted in the issuance of 7.2 million Class A Subordinate Voting Shares at a price of \$12 per share. After accounting for issue costs, Interfor received \$82.4 million in net proceeds from the transaction.

At year-end, Interfor had net debt outstanding of \$140.8 million compared with \$120.1 million at the end of 2012, representing a ratio of net debt to invested capital of 21.5% versus 24.2% a year earlier.

Managing the risks associated with the Company's balance sheet has been a hallmark of Interfor's management philosophy for many years, and 2013 was no exception.

In order to reduce the risks associated with rising interest rates and to position the Company to pursue its growth agenda, Interfor, in June, issued US\$50 million in 10 year, senior secured notes at a fixed rate of 4.33%. The notes are secured on a pari-passu basis with the Company's existing credit lines and are subject to a series of modest financial covenants consistent with those which apply to the credit lines.

On the closing of the Tolleson acquisition the Company's net debt to invested capital ratio calculated on a pro forma basis as at year-end 2013 will increase from 21.5% to approximately 30.5%.

Concurrently, the credit available under the Company's bank lines will be increased by \$60 million, leaving the Company with more than \$125 million in available liquidity.

MULTIPLE VOTING SHARES EXCHANGED

In August, Interfor's controlling shareholder, Sauder Industries Limited, exercised its right under the Company's articles to exchange its Class B Common Shares, often referred to as the Multiple Voting Shares, for Class A Subordinate Voting Shares on a one-for-one basis, without any cash or non-cash consideration.

The exchange was undertaken for internal planning reasons by the shareholders of Sauder Industries leaving Interfor, in effect, with one class of common shares.

A motion will be tabled at the Company's Annual General Meeting in May to eliminate the Class B Common Shares and to redesignate the Class A Subordinate Voting Shares as Common Shares.

MANAGEMENT GROUP SOLIDIFIED

During 2013, Interfor took a number of steps to solidify the Company's senior management group and to set the stage for further growth.

In February, Marty Juravsky joined Interfor as a Special Advisor in the corporate development area. Marty has significant experience in the North American investment banking industry having served with Salomon Brothers and National Bank Financial where he was involved in a number of forest products related transactions. Since joining Interfor, Marty has been actively involved in a number of key initiatives, including the Tolleson acquisition. He was subsequently appointed Vice-President, Corporate Development and Strategy in December.

In July, Joe Rodgers joined Interfor as Vice-President, U.S. Operations from Temple-Inland Building Products where he had served for more than 20 years, most recently as Vice-President, Operations - Solid Wood. Joe has extensive experience in the forestry and lumber sectors in the U.S. South and has made a strong contribution to Interfor since coming on board.

Also, in July, Ian Fillinger, who had played an important role in the construction and operation of Adams Lake and more recently with the Company's B.C. Coast sawmills, was appointed Vice-President, Canadian Operations, with responsibility for all woodlands and manufacturing operations in Canada.

With Marty, Joe and Ian joining John Horning, our Chief Financial Officer, Steven Hofer, our Vice-President, Sales & Marketing and Mark Stock, our Vice-President, Human Resources, Interfor is well-positioned at the senior executive level to meet the challenges and opportunities we expect in the years ahead.

NEW NAME TO BE ADOPTED

At the Annual General Meeting in May, a proposal will be placed before shareholders to change the formal name of the Company to Interfor Corporation from International Forest Products Limited.

The name change will result in a direct link with the Company's traditional trade name, i.e. "Interfor", and will build on the successful branding efforts undertaken in recent years using the Interfor name and logo. It will also be consistent with the formal names of our U.S. subsidiaries which now account for more than 50 per cent of our production.

The name "Interfor" has been trademarked for exclusive use of the Company in the world's major lumber markets.

BUSINESS OUTLOOK IMPROVING; VISION REMAINS INTACT

Positive signs continue to emerge in the U.S. and offshore laying the foundation for better market conditions in 2014 and beyond.

And, with the progress we've made in recent years, Interfor is well-positioned to take advantage of the improving market environment.

That said, we can't afford to become complacent.

Our business strategy is based on two tenets: growth by acquisition and operational excellence, and we have room for further progress in each area.

I remain convinced we are on track to build significant value for our shareholders and other stakeholders.

Thank you for your continued support.

Duncan Davies
President & CEO
February 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prepared as of February 13, 2014

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the year ended December 31, 2013. It should be read in conjunction with the 2013 annual audited consolidated financial statements of International Forest Products Limited ("Interfor" or the "Company") that are 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.

All financial figures are stated in Canadian dollars, unless otherwise noted, and references to US\$ and ¥ are to United States dollars and Japanese Yen, respectively. For definitions of technical terms and abbreviations used within this MD&A, refer to the Glossary in our 2013 Annual Report.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking 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 under the headings "Overview of 2013", "Business Outlook", "Summary of 2013 Annual Financial Performance", "Liquidity", "Off-Balance Sheet Arrangements", "Financial Instruments and Other Instruments", "Accounting Policy Changes" and "Risks and Uncertainties". These forward-looking statements reflect management's current expectations and beliefs and are based on certain assumptions including those related to general business and economic conditions in Canada, the U.S., Japan and China, and assessment of risks as described under "Risks and Uncertainties". 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, if any. 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 under the heading "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 circumstances, except as required by law.

OVERVIEW OF 2013

Interfor capitalized on the improving market environment by increasing operating rates to achieve record lumber production and sales in 2013. The Company generated sales of \$1.1 billion, net earnings of \$42.2 million or \$0.73 per share, and Adjusted EBITDA of \$134.0 million. The combination of higher prices, increased volumes and contribution from four sawmills acquired during the period resulted in significantly enhanced financial results relative to 2012.

With a focus on improving competitiveness and production capacity, the Company invested \$188.7 million in sawmill acquisitions and capital improvements, logging roads, timber and intangibles in 2013. The Company continues to balance production against demand, while maintaining its focus on margin enhancement and cost containment.

Investments and Equity Financing

On March 1, 2013, Interfor completed the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S., adding three sawmills with a combined annual capacity of 360 million board feet to its operations, and broadening its product mix to include Southern Yellow Pine. On July 1, 2013, a fourth sawmill, also located in Georgia, was acquired from Keadle Lumber Enterprises, Inc. Following an upgrade of this sawmill's drying capacity, it will have an annual capacity in excess of 160 million board feet on a two-shift basis, and increase the Company's annual production capacity to more than 2.2 billion board feet. These new operations in Georgia ("U.S. Southeast") were immediately accretive to net earnings.

On May 1, 2013, the Company also acquired two timber tenures in the Kootenay Region of B.C. from Springer Creek Management Ltd. The tenures have a combined Allowable Annual Cut ("AAC") of approximately 174,000 cubic metres and will support increased production levels at the Castlegar sawmill.

On August 23, 2013, the Company's controlling shareholder, Sauder Industries Limited ("SIL"), exercised its right under the Company's Articles to exchange its Class B Common Shares for Class A Subordinate Voting Shares on a share for share basis without any cash or non-cash consideration. As a result, all remaining Class B Shares were automatically converted to Class A Shares.

On September 30, 2013, the Company closed a public offering of 7,187,500 Class A Subordinate Voting Shares at a price of \$12.00 per share for net proceeds of \$82.4 million, which were used to fund capital upgrades and reduce long term debt. The offering included the exercise, in full, of the overallotment option by the underwriters totaling 937,500 shares.

Proposed Acquisition of Tolleson Lumber Company

On February 8, 2014, the Company entered into a share purchase agreement (the "Purchase Agreement") with Ilim Timber Continental, S.A. to acquire all of the outstanding common shares of Tolleson Ilim Lumber Company for consideration comprised of US\$129.9 million in cash and retained liabilities, and 3,680,000 common shares of the Company. The Tolleson operations include two sawmills in Perry and Preston, Georgia, with a combined annual lumber production capacity of more than 400 million board feet plus a remanufacturing facility in Perry, Georgia. This acquisition is consistent with Interfor's strategy of adding capacity in attractive regional markets and will bring Interfor's annual capacity to more than 2.6 billion board feet.

This acquisition remains subject to various closing conditions, including regulatory approval, and is anticipated to close in the first quarter of 2014. The acquisition will be financed in part from Interfor's existing credit facilities, to be amended as described below, and is expected to be accretive to net earnings immediately.

In conjunction with the Purchase Agreement, the Company has secured commitments from its lenders to increase the credit available under its Revolving Term Line from \$200 million to \$250 million, without change to other terms and conditions.

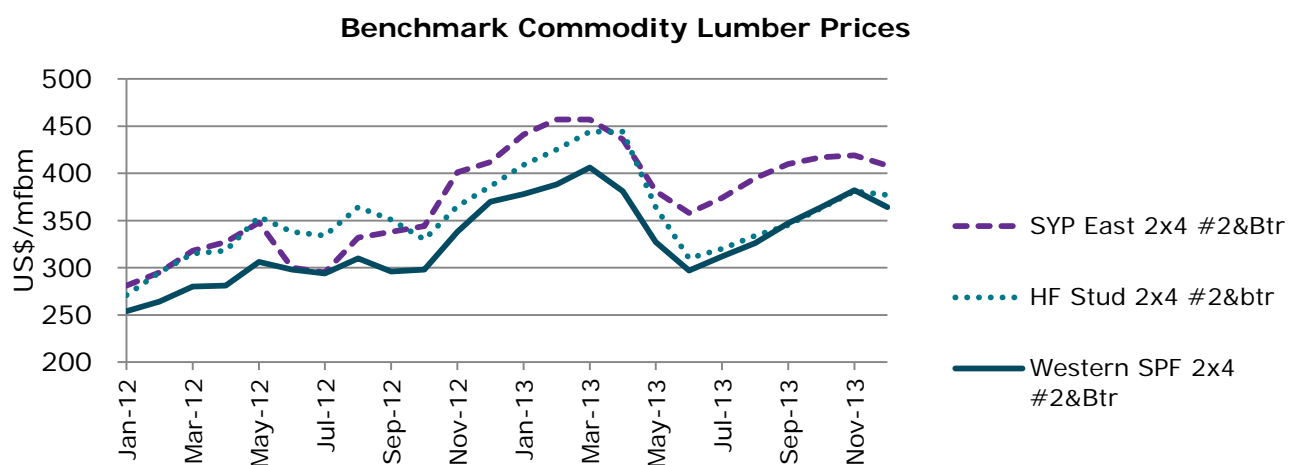
Markets and Pricing

North American lumber markets continued to improve in 2013, reflecting higher housing starts and home prices in the U.S. Activity levels in Japan improved slightly over 2012, while lumber shipments to China rebounded from a decline in 2012. North American suppliers gained price leverage in offshore markets as domestic buyers consumed larger

volumes, thus tightening supplies available for export. The net result was higher product prices for 2013, on average. The Random Lengths Framing Lumber Composite Price ("RLCI") averaged US\$384 per thousand board feet ("mfbm") in 2013, up 19% over 2012.

Building off positive momentum in late 2012, U.S. housing starts and demand for lumber showed continued improvement throughout the first quarter of 2013. The strength of North American markets was further bolstered by strong demand in offshore markets and limited supply, resulting in the strongest pricing environment experienced since the first quarter of 2005.

After peaking in early April 2013, North American commodity lumber prices corrected sharply in the second quarter, due primarily to oversupply and U.S. construction activity hampered by unseasonably wet weather. This trend reversed in the third and fourth quarters, as the supply chain became more balanced with a steady rise in lumber prices supported by solid demand from both North American and offshore markets. Improved North American prices allowed Canadian producers to ship lumber to U.S. markets without an export tax for most of 2013.



Source: Random Lengths Publications, Inc. ("Random Lengths")

BUSINESS OUTLOOK

Though the U.S. economic recovery remains fragile, expectations are that U.S. housing starts and lumber prices will continue to improve in 2014. Export tax rates for the first two months of 2014 have been set at 0% as lumber prices remain above the relevant benchmark price. Demand in Japan is expected to be stable through the first half of 2014. Following the implementation of a VAT increase in April 2014, there is potential for a moderate reduction in demand as consumers adjust to higher housing prices. Demand and pricing in China are expected to remain stable across all product lines.

Long term interest rates are expected to increase while continued volatility in the value of the Canadian dollar is anticipated.

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

FINANCIAL AND OPERATING HIGHLIGHTS⁽¹⁾

	Unit	For the 3 months ended December 31,		For the year ended December 31,		
		2013	2012	2013	2012	2011
Financial Highlights⁽²⁾						
Total sales	\$mm	315.3	222.4	1,105.2	849.2	758.2
Lumber	\$mm	249.2	173.3	872.3	631.2	538.4
Logs	\$mm	41.3	24.5	136.6	113.9	108.4
Wood chips and other residual products	\$mm	20.0	15.9	72.4	69.4	68.4
Ocean freight and other	\$mm	4.9	8.7	23.9	34.7	43.1
Operating earnings (loss)	\$mm	13.7	(2.4)	52.5	(3.1)	(5.8)
Net earnings (loss)	\$mm	11.4	(3.8)	42.2	(9.5)	(13.9)
Net earnings (loss) per share, basic and diluted	\$/share	0.18	(0.07)	0.73	(0.17)	(0.26)
EBITDA ⁽³⁾	\$mm	31.4	13.0	115.8	50.2	46.7
Adjusted EBITDA ⁽³⁾	\$mm	36.2	19.3	134.0	59.9	46.8
Adjusted EBITDA margin ⁽³⁾	%	11.5%	8.7%	12.1%	7.1%	6.2%
Total assets	\$mm			824.1	632.0	614.8
Total long-term debt	\$mm			145.5	135.0	110.7
Pre-tax return on total assets ⁽³⁾	%			5.3%	-1.4%	-2.0%
Net debt to invested capital ⁽³⁾	%			21.5%	24.2%	20.4%
Operating Highlights						
Lumber production	million fbm	470	347	1,725	1,351	1,264
Lumber sales	million fbm	500	384	1,761	1,432	1,301
Lumber - average selling price ⁽⁴⁾	\$/thousand fbm	498	452	495	441	414
Log production ⁽⁵⁾	thousand cubic metres	965	748	3,598	3,296	3,408
Log sales ⁽⁵⁾	thousand cubic metres	397	267	1,339	1,352	1,356
Logs - average selling price ⁽⁵⁾	\$/cubic metre	92	76	88	72	72

Notes:

- (1) Figures in this table may not add due to rounding.
- (2) Financial information presented for the annual periods in this MD&A is based on the Company's audited financial statements as at and for the years ended December 31, 2013, 2012 and 2011, prepared in accordance with IFRS. Financial information presented for quarterly 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 and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
- (4) Gross sales before export taxes.
- (5) For B.C. operations.

SUMMARY OF 2013 ANNUAL FINANCIAL PERFORMANCE

Sales

The Company realized \$1.1 billion of total sales, up 30% from \$849 million in 2012, driven by the sale of nearly 1.8 billion board feet of lumber at an average price of \$495 per mfbm. Lumber sales volume and average selling price increased 23% and 12%, respectively, over 2012.

Higher North American pricing, supplemented by higher realizations in China and Japan and a weaker Canadian dollar, contributed to a \$55 per mfbm average selling price improvement from 2012.

The 329 million board feet increase in lumber shipments from 2012 primarily reflects the addition of four U.S. Southeast sawmills, which contributed sales of 247 million board feet, and increased production from the B.C. Interior and U.S. Pacific Northwest operations.

Lumber shipments to China increased by 18%, as 2012 was affected by an oversupply in late 2011 and interest rate increases by the Chinese government. China remained a significant market for the Company, accounting for 17% of total lumber sales volume in 2013 (2012 - 17%). Lumber shipments to Japan improved marginally over 2012 levels.

Log sales of \$136.6 million represents an increase of \$22.7 million, or 20%, compared to 2012. A slight decline in sales volume from our B.C. operations was more than offset by a 22% increase in average selling price to \$88 per cubic meter, reflecting improved lumber markets and a shift in mix to offshore markets.

Wood chips and other residual products revenue increased 4% from 2012 to \$72.4 million, due mostly to higher volumes from increased sawmill production.

Ocean freight and other revenues decreased by \$10.8 million from 2012 to \$23.9 million, due mainly to lower ocean freight resulting from decreased break bulk volumes.

Operations

Production costs increased by 24% or \$181.1 million over 2012, attributable primarily to the 23% increase in lumber shipments.

The \$7.3 million decrease in export taxes from 2012 was due to higher commodity lumber prices, which resulted in the export tax rate under the Softwood Lumber Agreement ("SLA") averaging 2% of lumber sales from Canada to the U.S., compared to 11% in 2012.

Increased operating rates in the U.S. Pacific Northwest sawmills, a higher depreciation base for the rebuilt Grand Forks sawmill, and the inclusion of depreciation for the four acquired U.S. Southeast sawmills resulted in a \$10.5 million increase in depreciation of plant and equipment as compared to 2012.

Corporate and Other

Long term incentive compensation ("LTIC") expense increased by 87% over 2012 to \$18.8 million, reflecting changes in the estimated fair value of the share-based compensation plans. A 68% increase in the Company's share price during the year had the greatest impact on this expense.

Business development costs, including transaction and integration costs related to the acquisition of the four U.S. Southeast sawmills, and larger infrastructure to support the Company's growth contributed to the \$8.1 million increase in selling and administration costs over 2012.

Income Taxes

The Company recorded income tax expense of \$0.6 million and decreased its unrecognized deferred tax assets by \$12.7 million in relation to certain unused tax losses that are available to be carried forward against future taxable income. Although the Company expects to realize the full benefit of the loss carry-forwards and other deferred tax assets, due to the cyclical nature of the wood products industry and the economic conditions over the last several years, the Company has not recognized the benefit of its deferred tax assets in excess of its deferred tax liabilities, except in limited circumstances.

The Company's Canadian non-capital loss carry forwards and U.S. net operating loss carry forwards totaling \$276 million (2012 - \$292 million) expire between 2023 and 2032, and are available to reduce future taxable income. The overall effective tax rate is significantly different from the Canadian statutory rate of 25.75% (2012 - 25%) due mainly to the decrease in unrecognized deferred tax assets of \$12.7 million (2012 – increase of \$2.4 million).

Net Earnings

The Company recorded net earnings of \$42.2 million or \$0.73 per share, compared to a net loss of \$9.5 million or \$0.17 per share in 2012. The improved performance was primarily the result of the addition of the four sawmills in the U.S. Southeast, increased lumber prices, record shipment volumes and lower export tax rates, offset partly by the cost of additional infrastructure required to support growth and the increase in LTIC expense.

SUMMARY OF FOURTH QUARTER 2013 FINANCIAL PERFORMANCE

Sales

The Company achieved \$315.3 million of total sales in the fourth quarter of 2013, an improvement of \$92.9 million over the same quarter of 2012. The majority of this improvement, amounting to \$75.8 million, was driven by higher lumber sales.

Lumber shipments improved 30% over 2012 to reach a record level of 500 million board feet for the quarter. Sales volumes benefited from the four acquired U.S. Southeast sawmills and stronger domestic demand driven by improved U.S. housing starts, which increased 18% from 2012 to 923,000 units in 2013. Lumber sales averaged \$498 per mfbm in the quarter, 10% higher than the same period of 2012. Higher North American pricing, supplemented by higher realizations in China and Japan and a weaker Canadian dollar were factors in this improvement.

Log sales revenue was \$41.3 million in the quarter, up 68% from the comparable quarter of 2012. B.C. log sales volumes increased 130,000 cubic metres, or 49%, from the fourth quarter of 2012 due mainly to tight supply at the end of 2012 and increased logging rates in 2013. On the B.C. Coast, where the majority of Interfor's log sales are transacted, the price per cubic meter improved 18% as compared to the fourth quarter of 2012. This improvement reflects higher average overall log sales prices and a shift in mix to offshore markets.

Higher chip and residuals volumes from the addition of the four U.S. Southeast mills were partially offset by lower overall chip prices, which resulted in an increase of \$4.1 million in wood chip and other residuals revenues for the quarter, as compared to the same period of 2012.

Operations

Production costs increased by 38% or \$75.3 million as compared to the same period in 2012, driven mostly by the 30% increase in lumber shipments. The remainder of the cost increase is explained by higher log and conversion costs. Log costs increased due to higher logging and stumpage costs in the B.C. Interior, partially offset by the addition of lower log costs in the U.S. Southeast. Competition for logs from China spurred increased log costs for some of the Company's sawmills in the U.S. Pacific Northwest.

Elevated operating rates in the U.S. Pacific Northwest sawmills, a higher depreciation base for the rebuilt Grand Forks sawmill, and the inclusion of depreciation for the four acquired U.S. Southeast sawmills increased plant and equipment depreciation expense, as compared to the fourth quarter of 2012.

Corporate and Other

Business development costs and larger infrastructure required to support the Company's growth contributed to increased selling and administration costs over the comparable quarter of 2012.

Long term incentive compensation expense decreased by \$1.0 million over the corresponding period of 2012, reflecting changes in the estimated fair value of the share-based compensation plans. The movement in the Company's share price had the greatest impact on this expense, as reflected by a 13% increase in the share price during the quarter versus a 35% increase over the same period of 2012.

Income Taxes

In the fourth quarter of 2013, the Company recorded income tax expense of \$0.3 million (2012 - \$0.1 million) and decreased its unrecognized deferred tax assets by \$3.7 million (2012 – increased by \$1.0 million) in relation to certain unused tax losses that are available to be carried forward against future taxable income.

Net Earnings

The Company recorded net earnings of \$11.4 million or \$0.18 per share, compared to a net loss of \$3.8 million or \$0.07 per share in fourth quarter of 2012. The improved performance was due mainly to the addition of the four sawmills in the U.S. Southeast, increased lumber prices, increased shipment volumes and lower export tax rates, offset partly by the cost of additional infrastructure required to support growth.

SUMMARY OF QUARTERLY RESULTS⁽¹⁾

Unit	2013				2012				
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Financial Performance (Unaudited)									
Total sales	\$mm	315.3	272.7	274.7	242.5	222.4	214.7	225.4	186.7
Lumber	\$mm	249.2	212.2	219.5	191.4	173.3	161.9	162.4	133.6
Logs	\$mm	41.3	36.6	32.6	26.1	24.5	26.8	35.6	27.0
Wood chips and other residual products	\$mm	20.0	18.4	17.4	16.6	15.9	17.5	17.8	18.2
Ocean freight and other	\$mm	4.9	5.4	5.2	8.4	8.7	8.5	9.6	7.9
Operating earnings (loss)	\$mm	13.7	2.3	19.3	17.2	(2.4)	2.3	2.6	(5.6)
Net earnings (loss)	\$mm	11.4	(0.1)	15.8	15.2	(3.8)	0.9	0.1	(6.7)
Net earnings (loss) per share, basic and diluted	\$/share	0.18	0.00	0.28	0.27	(0.07)	0.02	0.00	(0.12)
Operating Performance									
Lumber production	million fbm	470	447	418	390	347	350	333	323
Lumber sales	million fbm	500	446	433	383	384	366	363	320
Lumber - average selling price ⁽²⁾	\$/thousand fbm	498	476	507	500	452	442	448	418
Log production ⁽³⁾	thousand cubic metres	965	895	854	902	748	817	840	892
Log sales ⁽³⁾	thousand cubic metres	397	353	301	289	267	345	379	361
Logs - average selling price ⁽³⁾	\$/cubic metre	92	93	90	76	76	75	75	64
Average US\$/CAD\$ exchange rate ⁽⁴⁾	1 US\$ in CAD\$	1.0491	1.0385	1.0233	1.0080	0.9914	0.9954	1.0104	1.0010
Closing US\$/CAD\$ exchange rate ⁽⁴⁾	1 US\$ in CAD\$	1.0636	1.0303	1.0518	1.0160	0.9949	0.9832	1.0181	0.9975

Notes:

- (1) Figures in this table may not add due to rounding.
- (2) Gross sales before export taxes.
- (3) For B.C. operations.
- (4) Based on Bank of Canada closing 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 US\$/CAD\$ foreign currency exchange rate.

Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season closures. Generally, the Company's B.C. Coast 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 thaw and increases in the third and fourth quarters. 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 lower in the winter due to reduced construction activity, which increases during the spring, summer and fall.

Steady recoveries in the U.S. housing market helped drive up domestic demand and pricing through the end of 2012. Building on the positive momentum of 2012, U.S. housing starts surged, supporting higher lumber prices and positive net earnings in the first quarter of 2013. Mid-way through the second quarter of 2013, supply outstripped demand, and lumber prices dropped, ending the quarter at levels close to those of early 2012. Late in the third quarter of 2013, lumber prices rose in response to improved demand from China, which provided competition for limited supply, and continued a slow increase for the balance of the year, supported by improving U.S. housing starts.

The three sawmills acquired on March 1, 2013, and one sawmill acquired on July 1, 2013, contributed to the increased lumber production and sales throughout 2013, and were accretive to net earnings immediately.

The volatility of the Canadian dollar against the U.S. dollar also impacted results, given that historically over 75% of the Canadian operation's lumber sales are to the U.S. and export markets priced in U.S. dollars. A weaker Canadian dollar increases the lumber sales realizations in Canada, and increases net earnings of U.S. operations when converted to Canadian dollars.

LIQUIDITY

Balance Sheet

The Company strengthened its financial position throughout 2013, ending the year with \$140.8 million of net debt representing 21.5% of invested capital. Interfor's strong financial position benefited from \$97.5 million of cash generated from operating activities in 2013.

As at December 31, 2013, the Company had net working capital of \$118.2 million (2012 - \$90.1 million), available operating and term lines of \$186.4 million (2012 - \$124.8 million) and unrestricted cash of \$4.5 million (2012 - \$14.3 million).

These resources, in addition to cash generated from operations, will be used to support our working capital requirements, debt servicing commitments and capital expenditures. The Company believes that it will have sufficient liquidity to satisfy the funding of operating and capital requirements for the foreseeable future.

Cash Flow from Operating Activities

The Company generated \$123.7 million of cash flow from operations, before changes in working capital, an increase of 165% over 2012. This improvement was driven mainly by higher lumber shipments and lumber sales prices, a zero export tax rate for nine months of 2013, and positive contributions from the four newly acquired U.S. Southeast sawmills.

Increased sales volumes, lumber prices, manufacturing unit rates and log costs all contributed to an operating working capital cash utilization of \$26.2 million, as compared to \$1.3 million in 2012.

Total cash generated from operations after changes in working capital was \$97.5 million, increased from \$45.4 million for 2012. Throughout 2013, the Company focused on optimizing inventory levels, matching production with export and domestic demand, and purchasing logs and producing products that would provide positive margins.

Cash Flow from Investing Activities

Cash capital expenditures totaled \$68.2 million for 2013 (2012 - \$60.8 million), with \$14.9 million spent on high-return discretionary projects, \$20.3 million on other business maintenance expenditures, and \$33.0 million on road construction and timber licences. These investments included the installation of a Weinig moulder at the Gilchrist sawmill, and kiln projects at the Baxley, Swainsboro and Thomaston sawmills.

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

On May 1, 2013, the company acquired two timber tenures in the Kootenay Region of B.C. from Springer Creek Management Ltd. The tenures have a combined AAC of approximately 174,000 cubic metres and will support an increase in production at the Castlegar sawmill.

On July 1, 2013, the company acquired the Thomaston sawmill from Keadle Lumber Enterprises, Inc. in Georgia, U.S., including working capital, for \$33.8 million. The Company will pay an additional US\$7.0 million contingent upon receipt of an upgrade to the air permit which would allow the Company to operate a second shift. Receipt of this approval is expected in the first quarter of 2014, with payment to be made 365 days thereafter.

Cash Flow from Financing Activities

On September 30, 2013 the Company closed a public offering of 7,187,500 Class A Subordinate Voting shares at a price of \$12.00 per share for proceeds of \$82.4 million, net of \$3.9 million in transaction costs. The proceeds were used to fund completion of capital projects and reduce debt. No shares were issued in 2012.

During 2013, the Company funded its U.S. Southeast acquisitions and capital improvements with drawings of US\$85.2 million under its Revolving Term Line, and the issuance of US\$50.0 million of Series A Senior Secured Notes ("Senior Secured Notes") on June 26, 2013.

Interfor also utilized its operating lines in 2013 for net drawings of \$9.2 million, including \$7.5 million in outstanding letters of credit (2012 – \$5.2 million letters of credit).

Summary of Contractual Obligations

The payments due in respect of contractual and legal obligations, including projected major capital improvements, are summarized as follows:

	Total	Payments due by period			
		Up to 1 year	2-3 years	4-5 years	After 5 years
(millions of dollars)					
Trade accounts payable and accrued liabilities	\$ 81.8	\$ 81.8	\$ -	\$ -	\$ -
Income taxes payable	0.4	0.4	-	-	-
Long term debt	145.5	-	0.7	91.6	53.2
Reforestation liability	33.3	11.8	8.1	6.1	7.3
Provisions and other liabilities	40.9	15.9	9.6	2.0	13.5
Operating leases and contractual commitments	31.0	12.3	9.5	4.7	4.5
Total contractual obligations ⁽¹⁾	\$ 332.8	\$ 122.1	\$ 27.9	\$ 104.3	\$ 78.5

Note: (1) Figures in this table may not add due to rounding.

CAPITAL RESOURCES

As at December 31, 2013, the Company had an Operating Line of \$65.0 million. Drawings under this line are subject to borrowing base calculations dependent upon accounts receivable, inventories and certain accounts payable. At year end, the Company had borrowings of \$8.5 million, including letters of credit, with available credit of \$56.5 million.

On February 27, 2013, the Company extended the maturities of its Operating Line and Revolving Term Line to February 27, 2017 and increased the credit available under the Revolving Term Line from \$200 million to \$250 million. Subsequent to the issuance of

US\$50 million of Senior Secured Notes on June 26, 2013, the credit available on the Revolving Term Line was reduced from \$250 million to \$200 million. All other terms and conditions of this line remained unchanged except for a reduction in pricing. As at December 31, 2013, the Revolving Term Line was drawn by \$90.6 million (December 31, 2012 – \$135.0 million), leaving available capacity of \$109.4 million (2012 - \$65.0 million).

On May 24, 2013, the Company entered into an agreement with a U.S. lender for a US\$20 million operating line. The U.S. Operating Line is secured by accounts receivable and inventories of the Company's wholly-owned subsidiary, Interfor U.S. Inc., and matures on April 28, 2015. As at December 31, 2013, the U.S. Operating Line was drawn by US\$0.7 million, revalued at the year-end exchange rate to \$0.7 million.

On June 26, 2013, the Company issued US\$50.0 million of Series A Senior Secured Notes, bearing interest at 4.33%. The 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. Payments of US\$16.7 million are required on each of June 26, 2021 and 2022, with the balance due on June 26, 2023. As at December 31, 2013, the Senior Secured Notes were revalued at the year-end exchange rate to \$53.2 million.

TRANSACTIONS BETWEEN RELATED PARTIES

On August 23, 2013, the Company's controlling shareholder, Sauder Industries Limited ("SIL") exercised its right under the Company's Articles to exchange its Class B Common Shares for Class A Subordinate Voting Shares on a share for share basis without any cash or non-cash consideration and ceased to be a significant shareholder.

Prior to August 23, 2013, the Company had lumber sales to SIL in the amount of \$0.5 million (2012 - \$1.1 million). These transactions were conducted on a normal commercial basis, including terms and prices and did not result in any ongoing contractual or other commitments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has off-balance sheet arrangements which include letters of credit and surety performance bonds, primarily for timber sales. These are more fully described in Note 10 and Note 20(c) of the Company's 2013 consolidated financial statements. At December 31, 2013, such instruments aggregated \$26.7 million (2012 - \$23.0 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 exchange rates. The Company also trades lumber futures to manage price risk. The Company's policy is not to 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, except lumber futures, are the Company's Canadian bankers who are highly-rated and, hence, the risk of credit loss on such instruments is mitigated.

Interest Rate Swaps

As at December 31, 2013, Interfor had drawn \$92.3 million of floating rate debt, excluding letters of credit, from its operating and term credit facilities, and \$53.2 million of fixed rate debt through the Senior Secured Notes.

The Company's operating and term credit facilities bear interest at the bank prime rate plus a premium, or, at the Company's option, at rates for Bankers' Acceptances for Canadian dollar loans or at LIBOR for U.S. dollar loans, in all cases dependent upon a financial ratio. The Senior Secured Notes bear interest at 4.33%.

On August 25, 2011, the Company entered into two interest rate swaps, each with a notional value of \$25 million and maturing July 28, 2015. Under the terms of these swaps, the Company paid an amount based on a fixed annual interest rate of 1.56% and received a 90 day BA CDOR which was recalculated at set interval dates. These interest rate swaps were unwound on October 22, 2013.

On March 25, 2013, the Company entered into two additional interest rate swaps, each with a notional value of US\$25.0 million and maturing February 17, 2017. Under the terms of these swaps, the Company pays an amount based on a fixed annual interest rate of 0.84% and receives a 90 day LIBOR which is recalculated at set interval dates.

The intent of these interest rate swaps is to convert floating-rate interest expense to fixed-rate interest expense. As these swaps have been designated as cash flow hedges the fair value of these interest rate swaps at December 31, 2013, being an asset of \$0.2 million (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (2012 - \$0.1 million in Trade accounts payable and provisions) and a gain of \$0.2 million (2012 - \$0.4 million gain) has been recognized in Other comprehensive income.

Based on the Company's average debt level during 2013, the sensitivity of a 100 basis point increase in interest rates would result in an approximate decrease of \$0.5 million in Net earnings.

Foreign Currency Forward Exchange Contracts

The Company actively manages its currency exchange risk for fluctuations in U.S. dollars and Japanese Yen by identifying opportunities to enter into foreign exchange contracts and options to effectively hedge its net exposure. As at December 31, 2013, the Company had outstanding foreign currency forward contract obligations to sell a maximum of US\$8.0 million at an average rate of CAD\$1.0653 per U.S. dollar and ¥145 million at an average rate of ¥96.95 per U.S. dollar during 2014. All foreign currency gains or losses in 2013 have been recognized in Other foreign exchange gain (loss) in Net earnings and the fair value of the foreign currency contracts has been recorded as an asset of \$0.1 million in Trade accounts receivable and other (2012 - \$0.1 million asset recorded in Trade accounts receivable and other).

Based on the Company's net exposure to foreign currencies resulting from forward contracts in 2013, the sensitivity of Interfor's net earnings is as follows:

US\$	\$0.01 increase vs. CAD\$	\$2.6 million increase in net income
Japanese Yen	1¥ increase vs. US\$	\$0.1 million increase in net income

Interfor's U.S. operations produce and sell products almost exclusively for the U.S. market, with all revenues and expenses denominated in U.S. dollars. All foreign currency denominated assets and liabilities of Interfor's U.S. foreign operations with a U.S. dollar functional currency are translated at exchange rates in effect at the Consolidated Statement

of Financial Position date. Revenues and expenses are translated at transaction date or average rates for the period as appropriate. Unrealized gains and losses arising upon translation of net foreign currency investment positions in U.S. dollar functional currency foreign operations, together with any gain or losses arising from hedges of those net investment positions, to the extent effective, are credited or charged to net change in unrealized foreign currency translation gains (losses) in the Consolidated Statement of Comprehensive Income. Upon sale, reduction or substantial liquidation of an investment position, the previously recorded net unrealized gains (losses) thereon in the Translation reserve are reclassified to the Consolidated Statement of Earnings.

The Company recorded an \$8.4 million unrealized foreign exchange gain on translation of its U.S. operations with a U.S. dollar functional currency to Other comprehensive income (loss) in 2013 (2012 - \$2.9 million loss).

As at December 31, 2013, the Company had designated the US\$85.2 million drawn under its Revolving Term Line and US\$50.0 million drawn under its Senior Secured Notes as hedges against the investment in its U.S. operations. Unrealized foreign exchange losses of \$6.2 million have been recorded in Other comprehensive income (loss) in 2013 (2012 - \$0.7 million gain).

Lumber Futures

To manage price risk, the Company also traded lumber futures which were designated as held for trading with changes in fair value recorded within Other income in Net earnings. At December 31, 2013, there were no outstanding lumber futures contracts and a gain of \$0.1 million was recognized in Other income on completed contracts during the year (2012 – negligible gain).

OUTSTANDING SHARES

As of February 13, 2014, Interfor had 63,050,455 Class A Subordinate Voting Shares issued and outstanding. These shares are listed on the Toronto Stock Exchange under the symbol IFP.A.

CONTROLS AND PROCEDURES

The Company's management, under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has evaluated the design and effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013.

The Company's management, under the supervision of the CEO and CFO, has evaluated the design and effectiveness of the Company's internal controls over financial reporting ("ICFR") based on the criteria established within the 1992 COSO framework. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective as of December 31, 2013.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the year ended December 31, 2013, which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The operations in Georgia acquired during 2013 have been in compliance with the Company's ICFR since acquisition.

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements include critical accounting estimates made by management. Management is required to make various assumptions about matters that are highly uncertain at the time accounting estimates are made; the use of different assumptions could have a material impact on the Company's financial condition and performance. These critical accounting estimates are described below.

Valuation of Inventories. Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Log inventories are valued at the lower of cost and net realizable value on a specific boom or sort basis. The unit net realizable value for lumber inventories and B.C. Coast log inventories is determined by reference to the average sales values by specific product in the period immediately following the reporting date. The unit realizable value for B.C. Interior and U.S. log inventories is determined by reference to the value of the projected lumber and residual outturns. The unit cost for lumber is based on a three month moving average actual cost, lagged by one month and adjusted for unusual items. The unit cost for B.C. Coast logs is based on a twelve month moving average actual cost and for B.C. Interior logs is based on a three month moving average actual cost, both lagged by one month and adjusted for unusual items. The unit cost for U.S. logs is based on actual specific cost. Instances where net realizable value is lower than cost result in a charge to operating earnings in the period. Downward movements in commodity prices could result in a material write-down of inventory at any given time.

Recoverability of Property, Plant and Equipment, Logging Roads and Bridges, Timber Licences, Other Intangible Assets, and Goodwill. Interfor's assessment of recoverability of property, plant and equipment, logging roads, bridges, timber licences and other intangible assets is made with reference to projections of future cash flows to be generated by its operations. The assessment of recoverability of goodwill is also made with reference to projections of future cash flows to be generated by the related cash generating unit. In both cases the projected cash flows are discounted to estimate the recoverable amount of the related assets.

The Company conducts a review of external and internal sources of information to assess existence of any impairment indicators. External factors include adverse changes in expected future prices, costs and other market and economic factors. Internal factors include changes in the expected useful life of the asset or changes to the planned capacity of the asset.

Key assumptions used are based on industry sources, including Forest Economic Advisors, LLC and Resources Information Systems Inc., as well as management estimates. Assumptions encompass lumber and residual chip sales prices, applicable foreign exchange rates, operating rates of the assets, raw material and conversion costs, the level of sales to the U.S. from Canada, the export tax rate, future capital required to maintain the assets in their current operation condition, and other items.

A high degree of uncertainty exists in these assumptions and, as such, any significant change in assumptions could result in a conclusion that the carrying value of these assets may not be recovered, which could necessitate a material charge against operating earnings.

Appropriate discount rates are determined by reference to current market conditions, specific company factors and asset specific factors. The inflation rate applied within the cash flow projections represents the published Bank of Canada consumer price index as at December 31, 2013.

Interfor assesses the recoverability of Property, Plant and Equipment, Logging Roads and Bridges, Timber Licences and Other Intangible Assets whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill is tested for impairment annually, and whenever events or changes in circumstances indicate that an impairment may exist. The Company assessed the recoverability of goodwill as at December 31, 2013 and concluded that there were no impairments.

Reforestation and Other Forestry-related Liabilities. Crown legislation requires the Company to complete reforestation activities on its forest and timber tenures. Accordingly, Interfor records the estimated cost of reforestation as the timber is cut, and includes these expenses in the cost of current production. The estimate of future reforestation costs is based on detailed prescriptions of reforestation as prepared by Registered Professional Foresters employed or contracted by the Company. Considerations include the specifics of the areas logged and the treatments prescribed for those areas, as well as the timing and success rates of the planned activities. Estimates of reforestation liability could be materially impacted by forest fires, wildlife grazing, unfavourable weather conditions, changing legislative requirements and standards, or inaccurate projections, which could result in a charge against operating earnings.

The Company also has a legal obligation to deactivate certain roads constructed and used to access timber, once that access is no longer required. Accordingly, Interfor accrues the cost of road deactivation as the related timber is cut, including those expenses in the cost of current production. The estimate of future road deactivation cost is based on comprehensive plans prepared by Professional Foresters and Engineers employed by Interfor and includes such considerations as road structure and terrain. Estimates of road deactivation liability could be materially impacted by unfavourable terrain, changing legislative requirements and standards, or inaccurate projections, which could result in a charge against operating earnings. Each of these estimates is reviewed regularly on an ongoing basis.

Pension and Other Post-retirement Benefits. The Company sponsors three defined benefit pension plans for those hourly employees not covered by forest industry union plans and for a small group of salaried employees (the salaried plan was curtailed at December 31, 2013.) It also sponsors two post-retirement medical and life insurance plans.

The Company retains independent actuarial consultants to value the defined pension benefit obligations, the post-retirement medical and life insurance obligations and related plan asset values. Actuarial assumptions used in the valuation of obligations and values include assumptions of the discount rate used in calculations of net present value of obligations, expected rates of return on plan assets to be used to fund obligations, and assumed rates of increase for employee compensation and health care costs. Actual experience can vary materially from estimates and could result in a material charge against operating earnings as well as necessitate a current cash funding requirement.

Income Taxes. The Company's provision for income taxes, both current and deferred, is based on various judgments, assumptions and estimates including the tax treatment of transactions recorded in the Company's consolidated financial statements. Interfor records provisions for federal, provincial and foreign taxes based on the respective tax rules and regulations in the jurisdictions in which the Company operates. Due to the number of variables associated with the judgments, assumptions and estimates, and differing tax rules and regulations across the multiple jurisdictions, the precision and reliability of the resulting estimates are subject to uncertainties and may change as additional information becomes known.

Income tax assets and liabilities, both current and deferred, are measured according to the income tax legislation that is expected to apply when the asset is realized or the liability settled. Deferred income tax assets and liabilities are comprised of the tax effect of temporary differences between the carrying amount and tax basis of assets and liabilities, tax loss carry forwards and tax credits. Assumptions underlying the composition of tax assets and liabilities include estimates of future results of operations and the timing of the reversal of temporary differences as well as the tax rates and laws in the applicable jurisdictions at the time of the reversal. The composition of income tax assets and liabilities is reasonably likely to change from period to period due to the uncertainties surrounding these assumptions.

ACCOUNTING POLICY CHANGES

Change in Accounting Policy

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

Application of this standard also impacts the calculation of finance costs, resulting in an increase to Production expense and Finance costs in the Statement of Earnings, which will be fully offset by an increase (decrease) in Defined benefit plan actuarial gains (losses) in the Statement of Comprehensive Income. Prior to this standard, the impact of defined benefit plans on Net earnings included an interest cost on the obligation using the discount rate (based on current bond yields), and a credit on the plan assets using the expected rate of return (based on long term expected bond and equity returns). Under the new standard, the credit on plan assets no longer recognizes the equity risk premium and is based on the discount rate only.

Future Accounting Policy Changes

A number of new standards, and amendments to existing standards and interpretations, were not yet effective for the year ended December 31, 2013, and have not been applied in preparing the Company's 2013 annual consolidated financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements.

IFRS 9, *Financial Instruments*, replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. This standard will be in effect for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

NON-GAAP MEASURES

This MD&A makes reference to the following non-GAAP measures: 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 audited annual (and unaudited interim) consolidated financial statements prepared in accordance with IFRS:

Thousands of Canadian dollars	For the 3 months ended December 31,		For the year ended December 31,		
	2013	2012	2013	2012	2011
Adjusted EBITDA					
Net earnings (loss)	11,431	(3,827)	42,239	(9,474)	(13,919)
Add:					
Depreciation of plant and equipment	11,040	7,565	39,206	28,745	27,291
Depletion and amortization of timber, roads and other	6,253	7,528	23,061	23,648	24,263
Restructuring costs, asset write-downs and other costs	49	283	371	529	580
Finance costs	2,097	1,549	9,069	6,441	7,073
Other foreign exchange (gains) losses	211	(174)	1,250	(189)	25
Income tax expense	324	83	555	458	1,366
EBITDA	31,405	13,007	115,751	50,158	46,679
Add:					
Long term incentive compensation expense	5,205	6,245	18,841	10,065	449
Other (income) expense	(375)	5	(602)	(334)	(371)
Adjusted EBITDA	36,235	19,257	133,990	59,889	46,757
Pre-tax return on total assets					
Earnings (loss) before income taxes			42,794	(9,016)	(12,553)
Add:					
Restructuring costs, asset write-downs and other costs			371	529	580
Other foreign exchange (gains) losses			1,250	(189)	25
Other (income) expense			(602)	(334)	(371)
			43,813	(9,010)	(12,319)
Total assets, period end			824,126	632,040	614,836
Pre-tax return on total assets			5.3%	-1.4%	-2.0%
Net debt to invested capital					
Net debt					
Long term debt			145,479	135,046	110,713
Less: Cash and cash equivalents			(4,717)	(14,994)	(10,435)
Total net debt			140,762	120,052	100,278
Invested capital					
Net debt			140,762	120,052	100,278
Shareholders' equity			515,137	376,030	390,822
Total invested capital			655,899	496,082	491,100
Net debt to invested capital			21.5%	24.2%	20.4%

RISKS AND UNCERTAINTIES

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to: price volatility; availability of log supply; competition; government regulation; foreign currency exchange fluctuations; environmental matters; and labour disruption.

Price Volatility

Interfor's operating results are affected by fluctuations in the selling prices for lumber, logs and wood chips. Prices are affected by such factors as the general level of economic activity in the markets in which Interfor sells its products, interest rates, construction activity (in particular, housing starts in the United States, Canada, Japan and China), and log and chip supply/demand relationships. Interfor's financial results may be significantly affected by changes in the selling prices of its products.

Availability of Log Supply

The log requirements of Interfor's mills are met using logs harvested from its timber tenures, by long-term trade and purchase agreements and by purchases on the open market and through timber sale bids. Logs produced but unsuitable for use in Interfor's mills are either traded for suitable logs or sold on the open market. Operating at normal capacity, the Company's Canadian mills generally purchase less than 50% of their log requirements either through purchase agreements or on the open market. The Company relies almost entirely on purchased fibre through purchase agreements for its U.S. based mills, with a small volume supplied by the Company's Canadian coastal logging operations for the sawmills located on Washington's Olympic Peninsula. As a result, fluctuations in the price, quality or availability of log supply can have a material effect on Interfor's business, financial position, results of operations and cash flow.

Additionally, in order to ensure uninterrupted access to logs harvested from its timber tenures in Canada, Interfor must focus on the continuous development of road networks. This encompasses an integrated plan by foresters, engineers and logging operations personnel to identify future logging areas and develop the engineering for roads. Interfor expects to fund its ongoing road development with cash generated from operations and through utilization of its existing credit facilities.

Competition

The markets for the Company's products are highly competitive on a global basis and producers compete primarily on the basis of price. In addition, a majority of Interfor's lumber production is sold in markets where Interfor competes against many producers of approximately the same or larger capacity. Some of Interfor's competitors have greater financial resources and a number are, in certain product lines, lower cost producers.

Factors which affect the Company's competitive position include:

- foreign currency exchange rates;
- cost of labour;
- costs of harvesting or purchasing logs;
- ability to secure a quality log supply matched to a sawmill's requirements;
- quality of products and customer service;
- ability to secure space on vessels for overseas shipments and on trucks and railcars for North American shipments;
- cost of export taxes payable on sales to the U.S.; and
- ability to maintain high operating rates to leverage fixed manufacturing costs.

If the Company is unable to successfully compete on a global basis, its financial condition could suffer.

Government Regulation

Interfor's operations are subject to extensive provincial, state, federal or other laws and regulations that apply to most aspects of our business activities. Where applicable, Interfor is required to obtain approvals, permits and licences for its operations as a condition to operate.

From time to time the changes in government policy or regulation may impact the Company's operations. Until the details of all such changes are announced and implemented, the full impact of these changes on the Company's production, costs, financial position and results of operations cannot be determined.

Allowable Annual Cut

Interfor holds cutting rights in B.C. that represent an AAC of approximately of 3.9 million cubic metres. Of this amount, 3.6 million cubic metres is in the form of replaceable tenures. The remaining portion is held in non-replaceable tenures (timber licences and non-replaceable forest licences) that will expire over time. In 2013, Interfor acquired two replaceable tenures in the Kootenay region of the B.C. Interior with an AAC of 174,000 cubic metres.

The AAC is regulated by the Ministry of Forests, Lands and Natural Resource Operations and subject to periodic reviews to assess and then make determinations to set harvesting rates for each tenure. Many factors affect the AAC such as timber inventory, operable land base, growth rates, regulations, forest health, land use and environmental and social considerations.

Reductions in Interfor's AAC from any new protected areas are subject to compensation, once these areas have been formally removed. Currently there are no compensation claims outstanding.

The amount of timber available for harvest in the B.C. Interior is expected to remain high for the next several years as a consequence of an accelerated harvest to address the impact from the mountain pine beetle epidemic. The overall timber supply is expected to be reduced in the B.C. Interior once the surplus of dead pine is no longer useable. The AAC determinations are made by the provincial Chief Forester in a Timber Supply Review process, and will vary by location.

Aboriginal Issues

Aboriginal groups have claimed aboriginal title and rights over substantial portions of British Columbia, including areas where Interfor's forest tenures are situated, creating uncertainty as to the status of competing property rights. The Federal and Provincial governments have been seeking to negotiate settlements with aboriginal groups throughout British Columbia in order to resolve aboriginal rights and title claims. In addition, the governments have entered, and may continue to enter, into interim measures agreements with aboriginal groups. Any interim measures, agreements or settlements that may result from the treaty process may involve a combination of cash, resources, grants of conditional rights to resources on public lands and rights of self-government. The impact of aboriginal claims or treaty settlements on Interfor's forest tenures or the amounts of compensation to Interfor, if any, cannot be estimated at this time.

The courts have also established that the Crown has a duty to consult with aboriginal groups and, where appropriate, accommodate aboriginal interests. However, questions of responsibility and appropriateness of balancing interests will continue to evolve as the parties try to address these long standing complex issues. The Provincial Government of B.C. has been working to improve the functional relationship between the Crown and aboriginal groups prior to treaty settlement. The Province of B.C. and First Nations groups

on the B.C. Coast have signed Reconciliation Protocols that provide a shared decision making process for resource and land use, as well as new forest sector opportunities. These agreements overlap portions of Interfor's Coastal tenures. The agreements will be assessed and monitored in the years ahead to determine the extent of any implications on those operations.

Softwood Lumber Agreement

As a result of the Softwood Lumber Agreement ("SLA") implemented by the federal governments of Canada and the United States on October 12, 2006, Canadian softwood lumber exporters pay an export charge when the Random Lengths Framing Lumber Composite Price of lumber is at or below US\$355 per mfbm. On January 23, 2012, Canada and the U.S. agreed to a two year extension of the SLA through October 2015. The RLCI benchmark exceeded US\$355 per mfbm for all but three months in 2013 and has remained above this threshold for 2014 year-to-date.

Stumpage Fees

The B.C. Government charges stumpage fees to companies that harvest timber from Crown land. Stumpage payments for a harvesting area are based on a competitive market pricing system ("MPS") that has been established for both the coast and interior regions of B.C.

The stumpage system is complex and the subject of discussion involving, among other things, lumber trade agreements between Canada and the United States. The primary variable in the MPS is log pricing established through open market bidding for standing timber. In addition to bid prices, there are a number of operational and administrative factors that go into determining an individual stumpage rate for each cutting permit.

Periodic changes in the B.C. Government's administrative policy can affect the market price for timber and the viability of individual logging operations. There can be no assurance that current or future changes will not have a material impact on stumpage rates.

Foreign Currency Exchange Fluctuations

The Company's Canadian operations ordinarily sell approximately 75% of their lumber into export markets, with the majority of these sales denominated in U.S. dollars, and to a lesser extent in Japanese Yen. While the Canadian operations also incur some U. dollar denominated expenses, primarily for ocean freight and other transportation, and equipment operating leases, the majority of expenses are incurred in Canadian dollars.

An increase in the value of the Canadian dollar relative to the U.S. dollar would reduce the amount of revenue in Canadian dollars realized by the Company from lumber sales made in U.S. dollars. This would reduce the Company's operating margin and the cash flow available to fund operations. Consequently, a significant strengthening of the Canadian dollar against the U.S. dollar could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Environment

Interfor has incurred, and will continue to incur, costs to minimize environmental impact, prevent pollution and for continuous improvement of its environmental performance. Interfor may discover currently unknown environmental problems or conditions relating to its past or present operations, or it may be faced with unforeseen environmental liability in the future. This may require site or other remediation costs to maintain compliance or correct violations of environmental laws and regulations or result in governmental or private claims for damage to person, property or the environment, which could have a material adverse effect on Interfor's financial condition and results of operations.

Labour Disruptions

Production disruptions resulting from walkouts or strikes by unionized employees could result in lost production and sales, which could have a material adverse impact on the Company's business. The Company believes that its current labour relations are stable and does not anticipate any related disruptions to its operations in the foreseeable future.

The Company's Acorn, Hammond, Grand Forks and Castlegar sawmill employees are members of the Canadian United Steelworkers' Union ("USW") union. The collective agreement with the Southern Interior USW union (Grand Forks and Castlegar) expired on June 30, 2013 while the USW agreement for the B.C. Coast (Acorn and Hammond) expires on June 15, 2014. The Company also has 24 employees in the B.C. Interior who are members of the Canadian Marine Service Guild, and their collective agreement expires September 30, 2014. Negotiations with the USW regarding renewal of the expired Southern Interior USW union collective agreement are ongoing, but employees continue to work under the terms of the expired agreement with no workplace disruptions.

ADDITIONAL INFORMATION

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

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the integrity and fair presentation of the accompanying consolidated financial statements. The financial statements were prepared in accordance with International Financial Reporting Standards and, where necessary, are based in part on management's best estimates and judgements. Financial information included elsewhere in the annual report is consistent with that disclosed in the consolidated financial statements.

Management maintains a system of internal accounting control which it believes provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal accounting control process includes communications to employees of Interfor's standards for ethical business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility primarily through its Audit Committee, the members of which are neither officers nor employees of Interfor. The Audit Committee meets periodically with management and the independent Auditors to satisfy itself that each group is properly discharging its responsibilities and to review the consolidated financial statements and the independent Auditors' report. The Company's independent Auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders. The Committee also makes recommendations to the Board with respect to the appointment and remuneration of the independent Auditors.

The consolidated financial statements have been examined by the independent Auditors, KPMG LLP, whose report follows.



Duncan K. Davies

President and Chief Executive Officer



John A. Horning

Senior Vice President and Chief Financial Officer

February 13, 2014

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders

We have audited the accompanying consolidated financial statements of International Forest Products Limited (the "Company") which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

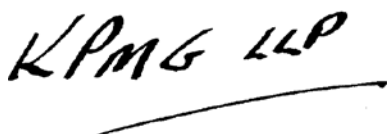
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of International Forest Products Limited as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the "K" and ends under the "P", extending across the width of the signature.

KPMG LLP, Chartered Accountants

February 13, 2014
Vancouver, Canada

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

December 31, 2013 and 2012

	<i>Note</i>	December 31 2013	December 31 2012
Assets			
Current assets:			
Cash and cash equivalents	10	\$ 4,717	\$ 14,994
Trade accounts receivable and other		62,735	47,392
Inventories	6	149,509	98,024
Prepayments		11,374	11,749
		228,335	172,159
Employee future benefits	22	3,980	878
Other investments and assets	7	3,960	4,198
Property, plant and equipment	8	460,930	349,779
Logging roads and bridges	9	16,224	17,316
Timber licences	9	84,344	73,796
Other intangible assets	9	2,420	738
Goodwill	9	23,715	13,078
Deferred income taxes	19	218	98
		\$ 824,126	\$ 632,040
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable and provisions	11	\$ 98,017	\$ 70,597
Reforestation liability	12	11,754	10,864
Income taxes payable	19	395	593
		110,166	82,054
Reforestation liability	12	20,662	17,621
Long term debt	10	145,479	135,046
Employee future benefits	22	7,006	9,631
Provisions and other liabilities	11	25,676	11,658
Equity:			
Share capital:			
Issued and fully paid:			
Class A subordinate voting shares	13	428,723	342,285
Class B common shares		-	4,080
Contributed surplus	13	7,476	7,476
Translation reserve		561	(7,818)
Hedge reserve		167	(132)
Retained earnings		78,210	30,139
		515,137	376,030
		\$ 824,126	\$ 632,040

Commitments and contingencies (*note 20*); Subsequent event (*note 27*).
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



L. Sauder, Director



D.W.G. Whitehead, Director

Consolidated Statements of Earnings

(Expressed in thousands of Canadian dollars, except earnings per share amounts)
Years ended December 31, 2013 and 2012

	<i>Note</i>	2013	2012
			Re-stated (note 4)
Sales		\$1,105,222	\$ 849,196
Costs and expenses:			
Production	4	940,667	759,544
Selling and administration		28,829	20,719
Long term incentive compensation		18,841	10,065
Export taxes		1,736	9,044
Depreciation of plant and equipment	8	39,206	28,745
Depletion and amortization of timber, roads and other	9	23,061	23,648
		1,052,340	851,765
Operating earnings (loss) before restructuring costs and write-down of roads		52,882	(2,569)
Restructuring costs and write-down of roads	18	(371)	(529)
Operating earnings (loss)		52,511	(3,098)
Other earnings (expenses):			
Finance costs	4,16	(9,069)	(6,441)
Other foreign exchange gain (loss)		(1,250)	189
Other income	17	602	334
		(9,717)	(5,918)
Earnings (loss) before income taxes		42,794	(9,016)
Income taxes (recovery):	19		
Current		463	640
Deferred		92	(182)
		555	458
Net earnings (loss)		\$ 42,239	\$ (9,474)
Net earnings (loss) per share, basic and diluted	21	\$ 0.73	\$ (0.17)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
 (Expressed in thousands of Canadian dollars, except earnings per share amounts)
 Years ended December 31, 2013 and 2012

	<i>Note</i>	2013	2012
			Re-stated (note 4)
Net earnings (loss)		\$ 42,239	\$ (9,474)
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to Net earnings (loss):			
Defined benefit plan actuarial gains (losses)	4,22	5,832	(2,800)
Items that are or may be reclassified subsequently to Net earnings (loss):			
Foreign currency translation differences		8,167	(2,805)
Gain in fair value of interest rate swaps	26	241	371
Reclassification of loss in fair value of interest rate swaps to net earnings	16	58	-
Income tax on other comprehensive income (loss)	19	212	(84)
Total items that are or may be reclassified subsequently to Net earnings (loss)		8,678	(2,518)
Total other comprehensive income (loss), net of tax		14,510	(5,318)
Comprehensive income (loss)		\$ 56,749	\$ (14,792)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity
 (Expressed in thousands of Canadian dollars, except earnings per share amounts)
 Years ended December 31, 2013 and 2012

	Class A Share <i>Note</i>	Class B Share Capital	Contributed Surplus	Translation Reserve	Hedge Reserve	Retained Earnings	Total Equity														
Balance at December 31, 2011	\$	342,285	\$	4,080	\$	7,476	\$	(4,929)	\$	(503)	\$	42,413	\$	390,822							
Net earnings (loss):	4	-	-	-	-	-	-	-	-	-	-	(9,474)	-	(9,474)							
Other comprehensive income (loss):																					
Foreign currency translation differences, net of tax		-	-	-	(2,889)	-	-	-	-	-	-	-	-	(2,889)							
Defined benefit plan actuarial gains (losses)	4, 22	-	-	-	-	-	-	-	-	-	-	(2,800)	-	(2,800)							
Gain in fair value of interest rate swaps	26	-	-	-	-	-	-	-	-	371	-	-	-	371							
Balance at December 31, 2012		342,285		4,080		7,476		(7,818)		(132)		30,139		376,030							
Net earnings (loss):		-		-		-		-		-		42,239		42,239							
Other comprehensive income (loss):																					
Foreign currency translation differences, net of tax		-	-	-	8,379	-	-	-	-	-	-	-	-	8,379							
Defined benefit plan actuarial gains (losses)	22	-	-	-	-	-	-	-	-	-	-	5,832	-	5,832							
Gain in fair value of interest rate swaps	26	-	-	-	-	-	-	-	-	241	-	-	-	241							
Reclassification of loss in fair value of interest rate swap to net earnings	16	-	-	-	-	-	-	-	-	58	-	-	-	58							
Contributions:																					
Share issuance, net of share issue expenses	13	82,358		-		-		-		-		-		82,358							
Share exchange	13	4,080		(4,080)		-		-		-		-		-							
Balance at December 31, 2013		\$	428,723		\$	-		\$	7,476		\$	561		\$	167		\$	78,210		\$	515,137

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)
Years ended December 31, 2013 and 2012

	<i>Note</i>	2013	2012
			Re-stated (note 4)
Cash provided by (used in):			
Operating activities:			
Net earnings (loss)		\$ 42,239	\$ (9,474)
Items not involving cash:			
Depreciation of plant and equipment	8	39,206	28,745
Depletion and amortization of timber, roads and other	9	23,061	23,648
Income tax expense	19	555	458
Finance costs	4, 16	9,069	6,441
Other assets		884	(1,953)
Reforestation liability	12	2,599	(516)
Other liabilities and provisions		6,612	(710)
Write-down of roads	9	-	164
Unrealized foreign exchange losses (gains)		(14)	150
Other income	17	(484)	(309)
		123,727	46,644
Cash generated from (used in) operating working capital:			
Trade accounts receivable and other		(9,667)	(3,798)
Inventories		(40,866)	(879)
Prepayments		493	(1,087)
Trade accounts payable and accrued liabilities		24,495	5,592
Income taxes paid		(652)	(1,090)
		97,530	45,382
Investing activities:			
Additions to property, plant and equipment	8	(33,038)	(39,830)
Additions to logging roads	9	(18,676)	(20,662)
Additions to timber and other intangible assets	9	(16,531)	(319)
Acquisitions	5	(120,407)	-
Proceeds on disposal of property, plant and equipment		2,089	537
Investments and other assets		(108)	(298)
		(186,671)	(60,572)
Financing activities:			
Issuance of share capital, net of share issue expenses	13	82,358	-
Interest payments		(7,142)	(5,241)
Debt refinancing costs		(1,460)	-
Additions to long term debt	10	326,738	82,000
Repayments of long term debt	10	(322,517)	(57,000)
		77,977	19,759
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency		887	(10)
Increase (decrease) in cash and cash equivalents		(10,277)	4,559
Cash and cash equivalents, beginning of year		14,994	10,435
Cash and cash equivalents, end of year		\$ 4,717	\$ 14,994

See accompanying notes to consolidated financial statements.

1. Nature of operations:

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

The Company is incorporated 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.

The consolidated financial statements of the Company as at and for the years ended December 31, 2013 and 2012 comprise the Company and its subsidiaries.

2. Basis of Preparation:**(a) Statement of compliance:**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved by the Board of Directors on February 13, 2014.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the Statements of Financial Position:

- (i) Derivative financial instruments are measured at fair value;
- (ii) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and
- (iii) 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 defined benefit obligations on a plan by plan basis.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency. Certain of the Company's subsidiaries have a functional currency of the U.S. dollar and are translated to Canadian dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand except per share amounts.

(d) Use of estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of certain assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized, on a prospective basis, in the period in which the estimates are revised.

2. Basis of Preparation (continued):

(d) Use of estimates and judgements (continued):

Significant areas requiring the use of management estimates relate to the determination of restructuring, reforestation, road deactivation, environmental and tax obligations, share-based compensation, recoverability of assets, rates for depreciation, depletion and amortization, fair values of assets and liabilities acquired in business combinations and impairment analysis of non-financial assets including goodwill.

Information about the use of management estimates that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

<i>Note 3(e)</i>	Inventories
<i>Note 3(i)</i>	Impairment of non-financial assets
<i>Note 3(j)</i>	Reforestation and other decommissioning liabilities
<i>Note 3(m)</i>	Cash-settled share based compensation
<i>Note 9</i>	Roads and bridges, timber tenures, other intangible assets and goodwill
<i>Note 12</i>	Reforestation liability

The critical judgement in applying accounting policies that has the most significant effect on the amounts recognized in the consolidated financial statements is the determination of cash generating units as discussed in Note 3(i).

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries from their respective dates of acquisition or incorporation. All intercompany balances, transactions and unrealized income and expenses arising from intercompany transactions have been eliminated upon consolidation.

For business acquisitions on or after January 1, 2010, the Company measures goodwill at the acquisition date as the fair value of the consideration transferred including any non-controlling interest less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in Net earnings. Transaction costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

(b) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currency at transaction date exchange rates. Monetary assets and liabilities denominated in foreign currencies are revalued at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies measured at historical cost are translated using the transaction date exchange rate.

3. Significant accounting policies (continued):

(b) Foreign currency (continued):

(i) Foreign currency transactions (continued):

Foreign currency gains or losses arising on revaluation are recognized in Net earnings. Where revaluations relate to trade accounts receivable those foreign currency gains or losses are adjusted to Sales in the Statement of Earnings; where revaluations relate to trade accounts payable those foreign currency gains or losses are adjusted to Production costs in the Statement of Earnings.

(ii) Foreign operations:

Certain of the Company's subsidiaries have a functional currency of the U.S. dollar. Revenues and expenses denominated in foreign currencies are translated to Canadian dollars at the transaction date exchange rate, or at average rates for the period which approximate the transaction date, as appropriate. Assets and liabilities are translated into Canadian dollars at exchange rates in effect at the reporting date. Related unrealized gains and losses are included in Foreign currency translation differences in Other comprehensive income and in the Translation reserve in Equity.

Unrealized foreign exchange gains and losses residing in the Translation reserve will be released to Net earnings upon the reduction of the net investment in foreign operations through the sale, reduction or substantial liquidation of an investment position.

Foreign exchange gains or losses arising from a monetary item receivable from a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in Foreign currency translation differences in Other comprehensive income and presented in the Translation reserve in Equity.

(iii) Hedge of net investment in a foreign operation:

Financial liabilities denominated in foreign currencies are from time to time designated as a hedge of the Company's investments in foreign operations.

Foreign currency differences arising on the re-translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in Foreign currency translation differences in Other comprehensive income to the extent that the hedge is effective and presented in the Translation reserve in Equity. To the extent that the hedge is ineffective, such differences are recognized in Other foreign exchange gain (loss) in Net earnings.

When the Company terminates the designation of the hedging relationship and discontinues its use of hedge accounting, any accumulated unrealized foreign exchange gains and losses remain in the Translation reserve. Unrealized foreign exchange gains and losses arising subsequent to termination of the designation of the hedge relationship are recorded in Other foreign exchange gain (loss) in Net earnings. When the hedged net investment is disposed of, the relevant amount in the Translation reserve is reclassified to Net earnings as part of the gain or loss on disposal.

3. Significant accounting policies (continued):

(c) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments are comprised of cash and cash equivalents, trade and other receivables, trade accounts payable and accrued liabilities, provisions, and loans and borrowings including long term debt. The Company recognizes receivables, payables and loans on the date that they originate at fair value plus any direct transaction costs. All other financial assets are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument.

Cash and cash equivalents comprise cash on deposit and short-term interest bearing securities with maturities at their purchase date of three months or less. Cash and cash equivalents and trade and other receivables are designated as loans and receivables and are initially measured at fair value plus any direct transactions costs and thereafter at amortized cost using the effective interest rate method, less any impairment losses.

Trade payables and accrued liabilities, provisions, and loans and borrowings including long term debt are designated as other financial liabilities and are initially measured at fair value and thereafter at amortized cost using the effective interest rate method.

There are no financial instruments classified as available-for-sale or held-to-maturity.

(ii) Derivative financial instruments:

The Company at times uses derivative financial instruments for economic hedging purposes in the management of foreign currency exposures. Foreign exchange exposure to foreign currency receipts and related receivables, primarily in U.S. dollars, is managed through the use of foreign exchange forward contracts and options.

The Company has chosen not to designate its derivative forward foreign currency exchange and option contracts as hedges. These derivative financial instruments are designated as held-for-trading and, consequently, are carried on the Statement of Financial Position at fair value, with changes in fair value being recorded in Other foreign exchange gain (loss) in Net earnings.

The Company at times holds derivative interest rate swaps to hedge its interest rate risk exposures and may designate these financial instruments as the hedging instrument in a cash flow hedge of fluctuations in market interest rates associated with specific drawings under its long term debt. The effective portion of changes in the fair value of the derivative are recognized in Other comprehensive income and presented in the Hedging reserve in Equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in Net earnings.

From time to time, the Company also trades lumber futures in managing price risk and which are designated as held for trading with changes in fair value being recorded in Other income (expense) in Net earnings. Trading activities are closely monitored and restricted including a maximum number of outstanding contracts outstanding at any point in time.

These risk management strategies and relationships are formally documented and assessed on a regular, on-going basis.

3. Significant accounting policies (continued):

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term interest bearing securities with maturities at their purchase date of three months or less.

(e) Inventories:

Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Cost is determined as the weighted average of cost of production on a three month rolling average, lagged by one month and adjusted for abnormal costs, as in the case of a curtailment.

Log inventories are valued at the lower of cost and net realizable value on a specific boom basis where logs are in boom form, or in aggregate on a species and sort basis where the logs do not exist in boom form. Cost for internally produced log inventories is determined as the weighted average cost of logging on a twelve month rolling average for the B.C. Coast and on a three month rolling average for the B.C. Interior. For both areas, costs are lagged by one month and adjusted for abnormal costs, as in the case of a curtailment. Log inventories purchased from external sources are costed at acquisition cost. Net realizable value of logs is based on either market replacement cost or, for logs which have been committed to processing into lumber, on estimated net realizable value after taking into consideration costs of completion and sale.

Other inventories consist primarily of supplies which are recorded at lower of cost and replacement cost, which approximates net realizable value.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation on machinery and equipment is provided on the basis of hours operated relative to the asset's lifetime estimated operating hours. Depreciation on all other assets is provided on a straight-line basis (ranging from 2.5% to 33%) over the estimated useful lives of the assets.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Maintenance costs are recorded as expenses during the period as incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalized.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that require a substantial period of time to get ready for their intended use, are added to the cost of those assets.

(g) Logging roads and bridges:

Logging roads and bridges are recorded at cost less accumulated amortization and accumulated impairment losses. Road and bridge amortization is computed on the basis of timber cut relative to available timber.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

3. Significant accounting policies (continued):

(h) Intangible assets:

(i) Timber licences:

Timber licences are recorded at cost less accumulated depletion and accumulated impairment losses. Timber licence depletion is computed on the basis of timber cut relative to available timber. Tree farm and forest licences are depleted on a straight-line basis over 40 years. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

(ii) Goodwill:

Goodwill is measured at cost less accumulated impairment losses. See Note 3(a) for the policy on measurement of goodwill at initial recognition.

(iii) Other intangible assets:

Other intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization on other intangible assets is provided on a straight-line basis over five years, being the estimated useful lives of the assets. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

(i) Impairment of non-financial assets:

At each reporting date, the Company assesses its non-financial assets to determine whether there are any indications of impairment. Impairment tests are carried out annually for goodwill.

The Company conducts a review of external and internal sources of information to assess for any indications of impairment. External factors include adverse changes in expected future prices, costs and other market and economic factors. Internal factors include changes in the expected useful life of the asset or changes to the planned capacity of the asset.

Key assumptions used are based on industry sources, including Forest Economic Advisors, LLC and Resources Information Systems Inc., as well as management estimates. Assumptions encompass lumber and residual chip sales prices, applicable foreign exchange rates, operating rates of the assets, raw material and conversion costs, the level of sales to the U.S. from Canada, the export tax rate, future capital required to maintain the assets in their current operation condition, and other items.

If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The asset's recoverable amount is determined as the higher of its fair value less direct costs to sell and its value in use. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to Net earnings to reduce the carrying amount in the Statement of Financial Position to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale, net of direct selling costs, of the asset in an arm's length transaction between knowledgeable and willing parties.

3. Significant accounting policies (continued):

(i) Impairment of non-financial assets (continued):

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use of the asset and does not take into account future capital enhancements.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups, referred to as cash generating units ("CGUs"). CGUs are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized for a CGU are first allocated to reduce the carrying amount of goodwill, if any, assigned to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

For non-financial assets other than goodwill, impairments previously recognized may be reversed if the internal and external factors and estimates that led to the initial recognition of an impairment in a prior period indicate that the loss has decreased or no longer exists. An impairment loss is reversed if the recoverable amount exceeds the current carrying amount. The reversal is only to a maximum of the carrying amount that would have been recorded had the impairment loss not been recognized originally. An impairment loss for goodwill is not reversed.

(j) Reforestation and other decommissioning provisions:

Forestry legislation in British Columbia requires the Company to incur the cost of reforestation on its forest, timber and tree farm licences and to deactivate logging roads once harvesting is complete and access is no longer required. Accordingly, the Company records the fair value of the costs of reforestation and road deactivation in the period in which the timber is cut, with the fair value of the liability determined with reference to the present value of estimated future cash flows.

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. The measurement under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is based on best estimate and can be based on internal or external costs, depending upon which is most likely. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing regulatory requirements and the expertise of Registered Professional Foresters and Engineers employed or contracted by the Company. Examples of considerations include the specifics of the areas logged and the treatments prescribed for those areas, as well as the timing and success rates of the planned activities in terms of reforestation; and road structure and terrain for road deactivation.

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

3. Significant accounting policies (continued):

(j) Reforestation and other decommissioning provisions (continued):

In periods subsequent to the initial measurement, changes in the liability resulting from the passage of time are recognized as Finance costs and revisions to fair value calculations are recognized as Production costs in Net earnings as they occur.

(k) Environmental costs:

Environmental expenditures are expensed or capitalized depending upon their future economic benefit. Expenditures that prevent future environmental contamination are capitalized as plant and equipment. Expenditures that relate to an existing condition caused by past operations are expensed. Liabilities are recorded when rehabilitation efforts are likely to occur and the costs can be reasonably estimated.

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows using a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognized as a Finance cost in Net earnings.

(l) Employee benefits:

The estimated costs for defined benefit pensions and other post-retirement benefits provided to employees by the Company are accrued using actuarial methods and assumptions, including Management's best estimates of the discount rate, future investment earnings, salary escalation, and health care costs.

The defined benefit obligation, and the associated annual cost of accruing benefits for the defined benefit pension plans and other post-retirement benefits are calculated using the projected unit credit method.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains and losses arise from actual experience being different from the assumptions, or changes in actuarial assumptions used to determine the defined benefit obligation. Actuarial gains and losses are recognized in Retained earnings through Other comprehensive income in the year they arise.

For defined contribution plans, pension expense is the amount of contributions the Company is required to make in respect of services rendered by employees, and the Company has no legal or constructive obligation to pay further amounts. Plans administered by the government are treated as defined contribution plans as is the industry-wide unionized employees' pension plan.

(m) Cash-settled share based compensation:

The Company has a Share Appreciation Rights ("SAR") Plan, a Deferred Share Unit ("DSU") Plan and a Total Shareholder Return ("TSR") Plan for directors, officers and certain other eligible employees. The TSR Plan was modified in 2011 to allow for the issuance of Performance Share Units ("PSUs"). The Company follows the fair value method of accounting for SARs, DSUs and TSRs.

Compensation expense is recorded for SARs over the vesting period based on the estimated fair value of the SARs at the date of grant. Fair value is measured using a Black-Scholes option pricing model and is adjusted to reflect the number of SARs expected to vest.

3. Significant accounting policies (continued):**(m) Cash-settled share based compensation (continued):**

Compensation expense is recorded for DSUs either at the time of the grant, in the case of DSUs which vest immediately, or over the performance period, in the case of DSUs with deferred vesting, based on the fair value at the date of the grant.

Compensation expense is recorded for TSRs over the performance period based on the estimated fair value of the TSRs at the date of the grant. Fair value is measured using a combination of call options which are valued using a Black-Scholes pricing model.

The fair value of the SARs, DSUs and TSRs are subsequently measured at each reporting date with any changes in fair value reflected in the Long term incentive compensation in Net earnings. Liabilities are recorded in Trade accounts payable and provisions and Provisions and other liabilities on the Statement of Financial Position.

(n) Sales revenue:

The Company recognizes sales to external customers when the product is shipped and title passes. Sales are recorded on a gross basis, before freight, wharfage and handling costs, and export taxes.

(o) Finance income and costs:

Finance income comprises net interest income on funds invested.

Finance costs comprise net interest expense on borrowings, the unwinding of the discount on decommissioning provisions, net interest on defined benefit plans, the amortization of prepaid finance costs and other related transaction costs.

(p) Income tax:

Income tax expense comprises current and deferred income tax. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Significant accounting policies (continued):

(p) Income tax (continued):

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Earnings per share:

Basic earnings per share is computed by dividing Net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting the Net earnings and the weighted average shares outstanding during the reporting period for the effects of all dilutive potential common shares, which comprise share options granted.

(r) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements.

IFRS 9, *Financial Instruments*, replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. This standard is in effect for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

4. Changes in accounting policy:

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

Application of this standard also impacts the calculation of finance costs, resulting in an increase to Production expense and Finance costs in the Statement of Earnings, which will be fully offset by an increase (decrease) in Defined benefit plan actuarial gains (losses) in the Statement of Comprehensive Income. Prior to this standard, the impact of defined benefit plans on Net earnings included an interest cost on the obligation using the discount rate (based on current bond yields), and a credit on the plan assets using the expected rate of return (based on long term expected bond and equity returns). Under the new standard, the credit on plan assets no longer recognizes the equity risk premium and is based on the discount rate only.

4. Changes in accounting policy (continued):

The policy has been applied on a retrospective basis and comparative information has been restated. The following changes to historical financial statements have been made to reflect the new policy:

	As previously Reported	Adjustment	Restated
For the year ended December 31, 2012			
Statement of Earnings			
Production costs	\$ 758,893	\$ 651	\$ 759,544
Finance costs	6,324	117	6,441
Net loss	(8,706)	(768)	(9,474)
Statement of Comprehensive Income			
Defined benefit plan actuarial losses	(3,568)	768	(2,800)
Other comprehensive loss	(6,086)	768	(5,318)

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

5. Acquisitions:

On March 1, 2013, the Company concluded the acquisition of Rayonier Inc.'s Wood Products Business ("Rayonier acquisition") in Georgia, U.S. ("U.S. Southeast") for US\$84,355,000.

On July 1, 2013, the Company acquired the sawmill operations of Keadle Lumber Enterprises, Inc. ("Keadle acquisition") in Thomaston, Georgia for US\$39,104,000, of which US\$32,104,000 had been paid as at December 31, 2013. The Company will pay an additional US\$7,000,000, contingent upon receipt of an upgrade to the air permit which will allow the Company to operate a second shift. Receipt of this approval is expected in the first quarter, 2014, with the payment to be made 365 days thereafter.

Transaction costs of \$1,077,000 related to the acquisitions have been expensed in Selling and administration in 2013.

The purchase price of each of these acquisitions has been allocated to the fair value of assets acquired and liabilities assumed in the transactions on a preliminary basis, based on management's best estimates and taking into account all available information to December 31, 2013. As updated information is available, further analysis may result in a refinement to the values attributable to assets and liabilities arising on the acquisition.

Years ended December 31, 2013 and 2012

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

5. Acquisitions (continued):

These acquisitions have been accounted for using the acquisition method and the purchase price is allocated as follows:

	Note	Rayonier acquisition	Keadle acquisition	Total
Net assets acquired				
Current assets		\$ 10,730	\$ 2,283	\$ 13,013
Property, plant and equipment		76,516	28,337	104,853
Goodwill		-	10,518	10,518
		87,246	41,138	128,384
Current liabilities assumed		(605)	(9)	(614)
		\$ 86,641	\$ 41,129	\$ 127,770
Cash consideration funded by:				
Cash on hand		\$ 7,223	\$ -	\$ 7,223
Operating Line		27,848	-	27,848
Revolving Term Line		51,570	33,766	85,336
Provisions and other liabilities	11	-	7,363	7,363
		\$ 86,641	\$ 41,129	\$ 127,770

Since acquisition, the U.S. Southeast divisions contributed sales of \$121,398,000 and earnings of \$14,733,000 to the Company's results. If the acquisitions had occurred on January 1, 2013, management estimates that Sales would have been \$1,140,751,000 and Net earnings for the period would have been \$48,011,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2013.

6. Inventories:

	2013	2012
Logs	\$ 89,170	\$ 59,772
Lumber	51,449	31,833
Other	8,890	6,419
	\$ 149,509	\$ 98,024

Inventory expensed in the period includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. The inventory write-down to record inventory at the lower of cost and net realizable value at December 31, 2013 was \$7,926,000 (2012 - \$7,050,000).

Years ended December 31, 2013 and 2012

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

7. Other investments and assets:

	2013	2012
Timber deposits and other investments and deposits	\$ 1,771	\$ 2,651
Deferred financing fees, net of accumulated amortization	2,189	1,547
	\$ 3,960	\$ 4,198

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Years ended December 31, 2013 and 2012

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

8. Property, plant and equipment:

Cost	Land	Buildings	Machinery and Equipment	Mobile Equipment	Computer Equipment	Site Improvements	Other	Projects in Process	Total
Balance at December 31, 2011	35,114	62,719	414,744	14,653	17,291	33,474	6,550	2,300	586,845
Additions	8	-	(172)	303	706	-	620	40,018	41,483
Disposals	-	(1,286)	(26,127)	(45)	-	-	(980)	-	(28,438)
Transfers	-	519	28,403	845	1,218	4,736	22	(35,743)	-
Exchange rate movements	(56)	(456)	(3,466)	(59)	(168)	(187)	(20)	(7)	(4,419)
Balance at December 31, 2012	35,066	61,496	413,382	15,697	19,047	38,023	6,192	6,568	595,471
Additions	-	-	-	466	1,200	-	351	32,796	34,813
Acquisitions	3,479	13,911	79,346	1,568	2,739	3,198	59	553	104,853
Disposals	(80)	(5)	(1,129)	(707)	(162)	(10)	(20)	(10)	(2,123)
Transfers	-	8,906	14,282	1,790	452	4,146	244	(29,820)	-
Exchange rate movements	246	1,703	13,432	234	636	652	61	220	17,184
Balance at December 31, 2013	\$ 38,711	\$ 86,011	\$ 519,313	\$ 19,048	\$ 23,912	\$ 46,009	\$ 6,887	\$ 10,307	\$ 750,198
Accumulated Depreciation		Buildings	Machinery and Equipment	Mobile Equipment	Computer Equipment	Site Improvements	Other		Total
Balance at December 31, 2011		25,554	175,918	11,272	12,407	16,829	4,831		246,811
Depreciation		2,853	20,918	964	1,442	2,222	346		28,745
Disposals		(1,270)	(26,029)	(45)	-	-	(969)		(28,313)
Transfers		5	(5)	-	-	-	-		-
Exchange rate movements		(144)	(1,113)	(36)	(147)	(109)	(2)		(1,551)
Balance at December 31, 2012		26,998	169,689	12,155	13,702	18,942	4,206		245,692
Depreciation		3,483	28,861	1,232	2,378	2,867	385		39,206
Disposals		(3)	(852)	(570)	(162)	(5)	(20)		(1,612)
Transfers		-	-	-	(6)	-	6		-
Exchange rate movements		551	4,365	143	497	373	53		5,982
Balance at December 31, 2013		\$ 31,029	\$ 202,063	\$ 12,960	\$ 16,409	\$ 22,177	\$ 4,630		\$ 289,268
Net book value at									
December 31, 2012	\$ 35,066	\$ 34,498	\$ 243,693	\$ 3,542	\$ 5,345	\$ 19,081	\$ 1,986	\$ 6,568	\$ 349,779
December 31, 2013	38,711	54,982	317,250	6,088	7,503	23,832	2,257	10,307	460,930

There were no borrowing costs capitalized in 2013 (2012 - \$447,000). As at December 31, 2013, additions includes \$3,428,000 in accrued contract costs (2012 - \$1,653,000).

Years ended December 31, 2013 and 2012

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

9. Roads and bridges, timber tenures, other intangible assets and goodwill:

Cost	Roads and Bridges	Timber Licences	Other Intangibles	Goodwill
Balance at December 31, 2011	48,276	117,597	4,721	13,955
Additions	20,662	230	89	-
Disposals	(16,189)	(1,547)	-	-
Exchange rate movements	(5)	-	(32)	-
Balance at December 31, 2012	52,744	116,280	4,778	13,955
Additions	18,676	14,342	2,189	-
Acquisition	-	-	-	10,518
Disposals	(21,624)	(1,269)	-	-
Exchange rate movements	130	-	106	119
Balance at December 31, 2013	\$ 49,926	\$ 129,353	\$ 7,073	\$ 24,592
Accumulated amortization	Roads and Bridges	Timber Licences	Other Intangibles	Goodwill
Balance at December 31, 2011	31,523	40,805	3,471	877
Amortization	19,826	3,226	596	-
Disposals	(16,085)	(1,547)	-	-
Impairment	164	-	-	-
Exchange rate movements	-	-	(27)	-
Balance at December 31, 2012	35,428	42,484	4,040	877
Amortization	19,152	3,392	517	-
Disposals	(20,932)	(867)	-	-
Exchange rate movements	54	-	96	-
Balance at December 31, 2013	\$ 33,702	\$ 45,009	\$ 4,653	\$ 877
Net book value at				
December 31, 2012	\$ 17,316	\$ 73,796	\$ 738	\$ 13,078
December 31, 2013	16,224	84,344	2,420	23,715

For the purpose of impairment testing, goodwill of \$10,637,000 and \$13,078,000 are attributable to the Thomaston cash-generating unit ("Thomaston CGU") and Coastal Whitewood cash-generating unit ("CWW CGU"), respectively.

No impairment testing was performed on the Thomaston CGU at December 31, 2013 given the Thomaston sawmill was acquired during 2013 and the purchase price is still preliminary as at December 31, 2013 (see Note 5).

The recoverable amount of the CWW CGU for impairment assessment was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of the unit for a period of twenty years. The cash flows were projected based on past experience, actual operating results and the 5-year business plan in both 2012 and 2013. Due to the cyclical nature of the forest industry, cash flows for a further 15 years were extrapolated based on an average trend year.

The recoverable amount of the CWW CGU as at December 31, 2013, and December 31, 2012 was determined to be higher than the related carrying amount and no impairment has been recognized.

9. Roads and bridges, timber tenures, other intangible assets and goodwill (continued):

Key assumptions used are based on industry sources, including Forest Economic Advisors, LLC and Resources Information Systems Inc., as well as management estimates. These assumptions include lumber and residual chip sales prices, applicable foreign exchange rates, operating rates of the assets, raw material and conversion costs, the level of sales to the U.S. from Canada, the export tax rate and the future capital required to maintain the assets in their current operating condition.

A pre-tax discount rate of 16 percent (2012 – 14.7 percent) was applied in determining the recoverable amount of the CWW CGU. The discount rate was estimated with the assistance of investment bankers, past experience, and the industry average weighted average cost of capital. An inflation rate of 1.2 percent (2012 – 0.8 percent) is applied to the model for years four through twenty.

The values assigned to key assumptions represent management's assessment of future trends in the forest industry and are based on both external sources and internal historical data.

10. Cash and borrowings:

	Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
2013					
Available line of credit	\$ 65,000	\$ 200,000	\$ 53,180	\$ 21,272	\$ 339,452
Maximum borrowing available	65,000	200,000	53,180	21,272	339,452
Drawings	936	90,619	53,180	744	145,479
Outstanding letters of credit included in line utilization	7,529	-	-	-	7,529
Unused portion of line	\$ 56,535	\$ 109,381	\$ -	\$ 20,528	\$ 186,444
2012					
Available line of credit	\$ 65,000	\$ 200,000	\$ -	\$ -	\$ 265,000
Maximum borrowing available	65,000	200,000	-	-	265,000
Drawings	-	135,046	-	-	135,046
Outstanding letters of credit included in line utilization	5,190	-	-	-	5,190
Unused portion of line	\$ 59,810	\$ 64,954	\$ -	\$ -	\$ 124,764

(a) Operating Line:

The terms and conditions of this line remain unchanged except for a reduction in pricing.

The Canadian operating line of credit ("Operating Line") may be drawn in either CAD\$ or US\$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of total debt divided by twelve months' trailing EBITDA¹. Borrowing levels under the line are subject to a borrowing base calculation dependent on certain accounts receivable and inventories.

10. Cash and borrowings (continued):**(a) Operating Line (continued):**

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

On February 27, 2013, the Company extended the maturity of its existing Operating Line to February 27, 2017.

As at December 31, 2013, the Operating Line was drawn by \$8,465,000, including outstanding letters of credit.

(b) Revolving Term Line

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

The Revolving Term Line is 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, a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

On February 27, 2013, the Company extended the maturity of its Revolving Term Line to February 27, 2017 and increased the credit available from \$200,000,000 to \$250,000,000. Subsequent to the issuance of US\$50,000,000 of Senior Secured Notes on June 26, 2013 (see Note 10(c)), the credit available on the Revolving Term Line was reduced from \$250,000,000 to \$200,000,000. All other terms and conditions of this line remained unchanged except for a reduction in pricing.

During the year, the Company drew US\$83,000,000 under its Revolving Term Line to fund its acquisitions in the U.S., which it designated as a hedge against the Company's investment in its U.S. operations. During the year, the Company repaid US\$28,000,000 of drawings previously designated as hedges. Related cumulative unrealized foreign exchange losses remain in Foreign currency translation differences in Other comprehensive income.

As at December 31, 2013, the Revolving Term Line was drawn by US\$85,200,000 (2012 – US\$30,200,000) revalued at the year-end exchange rate to \$90,619,000 (2012 - \$30,046,000), being the total drawings under the facility (2012 – additional drawings of CAD\$105,000,000 for total drawings of \$135,046,000), and leaving an unused available line of \$109,381,000 (2012 - \$64,954,000).

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

10. Cash and borrowings (continued):

(b) Revolving Term Line (continued):

All outstanding U.S. drawings under the Revolving Term Line have been designated as a hedge against the Company's investment in its U.S. operations and cumulative unrealized foreign exchange losses of \$5,538,000 (2012 - \$667,000 gain) arising on revaluation of the Revolving Term Line, and from translation of US\$ borrowings designated as hedges and since repaid, were recognized in Foreign currency translation differences in Other comprehensive income.

(c) Senior Secured Notes:

On June 26, 2013, the Company issued US\$50,000,000 of Series A Senior Secured Notes ("Senior Secured Notes"), bearing interest at 4.33%. The 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. Payments of US\$16,667,000 are required on each of June 26, 2021 and 2022, with the balance due on June 26, 2023.

As at December 31, 2013, the Senior Secured Notes were revalued at the year-end exchange rate to \$53,180,000. The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of \$635,000 arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income.

(d) U.S. Operating Line

On May 24, 2013, the Company entered into an agreement with a U.S. lender for a US\$20,000,000 operating line ("U.S. Operating Line"). The U.S. Operating Line is secured by accounts receivable and inventories of wholly-owned subsidiary, Interfor U.S. Inc., and matures on April 28, 2015. As at December 31, 2013, the U.S. Operating Line was drawn by US\$700,000 revalued at the year-end exchange rate to \$744,000, with cumulative unrealized foreign exchange losses of \$67,000 recognized in Foreign currency translation differences in Other comprehensive income.

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

2014	\$	-
2015		744
2016		-
2017		91,555
2018		-
	\$	92,299

(e) Cash and cash equivalents:

At December 31, 2013, the Company's cash balances are restricted by \$168,000 for contractor holdback payments (2012 - \$652,000).

11. Provisions and other liabilities:

2013	Note	Current	Non-current	Total
Restructuring	11(a), 18	\$ 506	\$ 24	\$ 530
Road deactivation	11(a)	659	3,257	3,916
Environmental	11(a)	73	719	792
Cash-settled equity based compensation				
Share appreciation rights plan	11(b)	8,047	1,987	10,034
Total shareholder return plan	11(c)	5,613	5,243	10,856
Deferred share unit plan	11(d)	243	6,147	6,390
Deferred compensation payable	11(e)	-	-	-
Storm damage remediation funds	11(f)	228	349	577
Air permit contingent payment	5, 11(g)	-	7,445	7,445
Other		1,021	505	1,526
		\$ 16,390	\$ 25,676	\$ 42,066
2012	Note	Current	Non-current	Total
Restructuring	11(a), 18	\$ 441	\$ 16	\$ 457
Road deactivation	11(a)	838	3,169	4,007
Environmental	11(a)	47	785	832
Cash-settled equity based compensation				
Share appreciation rights plan	11(b)	4,773	1,223	5,996
Total shareholder return plan	11(c)	2,688	1,634	4,322
Deferred share unit plan	11(d)	294	3,791	4,085
Deferred compensation payable	11(e)	2,281	-	2,281
Storm damage remediation funds	11(f)	337	507	844
Other		900	533	1,433
		\$ 12,599	\$ 11,658	\$ 24,257

The current portion of provisions and other liabilities is included in Trade accounts payable and provisions in the Statement of Financial Position.

(a) Provisions:

Forestry legislation in British Columbia requires the Company to deactivate logging roads once harvesting is complete and access is no longer required. Accordingly, the Company records the fair value of the costs of road deactivation in the period in which the timber is harvested, with the fair value of the liability determined with reference to the present value of estimated future cash flows.

Environmental provisions are made when rehabilitation efforts are likely to occur and the costs can be reasonably estimated. The environmental provision relates primarily to obligations assumed in 2008 upon acquisition of the Castlegar sawmill.

In 2012, the Company engaged an environmental consultant to undertake groundwater and other testing at a landfill at its Castlegar sawmill site to update its assessment of potential remediation costs. Based on the results of the testing undertaken, the Company revised its estimate of the environmental provision and recorded a recovery of \$1,321,000 in Production costs.

11. Provisions and other liabilities (continued):

(a) Provisions (continued):

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows using a current pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognized as a Finance cost in Net earnings.

	Note	Restructuring	Road deactivation	Environmental
Balance at December 31, 2011		\$ 859	\$ 4,670	\$ 2,292
Provisions made during year	18	724	412	39
Expenditures made during year		(767)	(518)	(110)
Reversal of provision during year	18	(359)	(537)	(68)
Unwind of discount		-	67	27
Changes in estimated future expenditures		-	(87)	(1,348)
Balance at December 31, 2012		457	4,007	832
Provisions made during year	18	371	451	-
Liabilities assumed with timber acquisition		302	95	-
Expenditures made during year		(600)	(357)	(11)
Reversal of provision during year		-	(170)	-
Unwind of discount		-	68	13
Changes in estimated future expenditures		-	(178)	(42)
Balance at December 31, 2013		\$ 530	\$ 3,916	\$ 792

(b) Share Appreciation Rights Plan:

Awards under the SAR Plan have been granted to directors, officers and senior managers of the Company. The vesting of SARs occurs at a rate of 40% two years after granting and 20% per annum thereafter. SARs expire ten years after the date of the grant. The SAR Plan uses notional units that are valued based on the Company's common share price on the Toronto Stock Exchange. The units are exercisable for cash and recorded as liabilities. Under the SAR Plan, awards will be expensed over the vesting periods based on the estimated fair value of the SARs at the date of grant. Fair value is measured using a Black-Scholes option pricing model and is adjusted to reflect the number of SARs expected to vest. Fair value of the SARs is subsequently measured at each reporting date with any change in fair value resulting in a change in the measure of the compensation for the award and will be amortized over the remaining vesting periods.

11. Provisions and other liabilities (continued):

(b) Share Appreciation Rights Plan (continued):

Details of the Company's SAR Plan for the years ended December 31, 2013 and 2012 are:

	2013		2012	
	Units	Weighted average strike price	Units	Weighted average strike price
Outstanding, beginning of year	1,898,710	\$ 5.29	2,128,030	\$ 5.25
Granted	255,000	9.18	318,500	4.65
Exercised	(666,000)	5.97	(262,400)	4.90
Expired or cancelled	(76,860)	6.38	(285,420)	4.60
Outstanding, end of year	1,410,850	\$ 5.62	1,898,710	\$ 5.29
Units exercisable, end of year	572,350	\$ 5.03	995,310	\$ 5.83

Weighted average fair value assumptions for grants made in 2013 and 2012 are as follows:

	2013	2012
Risk-free interest rate	1.7%	1.7%
Expected life	8.2 years	8.2 years
Annualized volatility	44%	44%
Dividend rate	0%	0%
Termination rate	12%	12%
Grant date fair value	\$4.66	\$2.37

Details of units outstanding under the SAR Plan at December 31, 2013 are as follows:

Strike price	Units outstanding			Units exercisable	
	Number outstanding, December 31, 2013	Weighted average remaining unit life (yrs)	Weighted average strike price	Number exercisable, December 31, 2013	Weighted average strike price
\$1.38	184,050	5.1	\$ 1.38	126,750	\$ 1.38
\$3.40-\$5.40	598,900	6.7	4.80	221,400	5.02
\$6.01-\$7.30	311,900	5.4	6.34	153,200	6.68
\$8.02-\$9.18	316,000	7.8	8.92	71,000	8.02
	1,410,850		\$ 5.62	572,350	\$ 5.03

The Company recorded a Long term incentive compensation expense in respect of the SAR Plan of \$6,963,000 (2012 – \$4,395,000) for the year ended December 31, 2013.

11. Provisions and other liabilities (continued):

(c) Total shareholder return plan:

In 2003, the Company introduced a TSR Plan for certain key executives. Under the TSR Plan prior to 2011, the Company will pay compensation to the TSR Plan members if the compound annual growth rate of the Company's share price exceeds 5% per annum over a three year period. The amount of compensation payable varies with the amount of the compound annual growth rate to a maximum of 15% per annum, the member's salary and a target award amount.

Effective January 1, 2011, the Company modified the TSR Plan to allow for the issuance of Performance Share Units ("PSUs"). Under the terms of the plan a participant will receive a target number of PSUs based on a target award divided by the value of the Company's Class A Subordinate Voting shares at the effective date of the grant. The number of PSUs which will ultimately vest will be in a range from 50% to 150% of the original grant based on total shareholder return over the performance period.

The number of PSU's outstanding at December 31, 2013 and 2012 are as follows:

	2013	2012
Outstanding, beginning of year	662,951	366,397
Granted	209,748	385,097
Cancelled	-	(88,543)
Outstanding, end of year	872,699	662,951

Compensation expense is recorded for the TSR Plan over the performance period based on the estimated fair value of the TSR Plan payable at the date of the grant. The fair value of the TSR Plan payable is subsequently measured at each measurement date with any changes in fair value reflected in Long term incentive compensation expense in Net earnings.

Fair value of the TSR Plan, including the grants with PSUs, is measured using a combination of call options which are valued using a Black-Sholes pricing model with weighted average assumptions for grants as follows:

	2013	2012
Risk-free interest rate	1.53%	1.38%
Expected life	3 years	3 years
Annualized volatility	46% to 56%	47% to 56%
Dividend rate	0.00%	0.00%
Termination rate	0.00%	0.00%
Grant date fair value	\$1,509	\$1,231

The Company recorded Long term incentive compensation expense under the TSR Plan of \$9,223,000 (2012 – \$3,567,000) for the year ended December 31, 2013.

(d) Deferred Share Unit Plan:

In January 2004, the Company introduced a DSU Plan for Directors and senior officers of the Company. The DSU Plan, which allows for immediate or deferred vesting, is intended to provide a better link between share performance and compensation for the participants, in that DSUs either increase or decrease in value in a direct relationship with the Company's Class A Subordinate Voting shares.

11. Provisions and other liabilities (continued):

(d) Deferred Share Unit Plan (continued):

Participants in the TSR Plan may elect, subject to the approval of the Company's Board of Directors, to receive their award in DSUs at the end of any performance period. In respect of the guaranteed 2009 TSR award, the Board exercised its discretion and required the award to be converted in March 2010 into a long term payable account under the DSU Plan.

DSUs may also be granted directly to Directors or senior employees of the Company at the discretion of the Board and Directors, who may also elect to take DSUs as payment of their annual retainer.

The number of DSUs outstanding at December 31, 2013 and 2012 are as follows:

	2013		2012	
	Units	Average unit value	Units	Average unit value
Outstanding, beginning of year	504,825	\$ 8.09	458,821	\$ 4.20
Granted ⁽¹⁾	87,472	10.80	46,004	5.21
Exercised	(93,704)	11.64	-	-
Outstanding, end of year	498,593	\$13.48	504,825	\$ 8.09

Changes to share values subsequent to issuance of awards will result in adjustments to the compensation accrual and Long term incentive compensation expense in Net earnings. The Company recorded a Long term incentive compensation expense of \$2,752,000 (2012 -\$1,916,000) for the year ended December 31, 2013 in respect of the DSU Plan.

(1) Fair value at the date of the grants.

(e) Deferred compensation payable:

TSR Plan awards for the former Chief Operating Officer for the three year periods which matured on December 31, 2009 and December 31, 2011 were converted in March 2010 and 2012, respectively, into long term compensation payable. Valuation adjustments are made monthly to the plan based on the rate of return of a referenced investment fund and compensation recovery of \$97,000 (2012 - \$187,000 expense) was recorded as Long term incentive compensation expense for the year ended December 31, 2013. The accrued balance of \$2,855,000 was paid out in July 2013.

(f) Storm damage remediation funds:

In 2011, the Company settled with its insurers for recovery of certain losses relating to storm damage suffered in 2010. An amount of \$1,576,000 was set up as a provision for future remediation on roads and bridges. Under the terms of the insurance settlement, the insurance proceeds must be used for remediation. As at December 31, 2013 \$577,000 (2012 - \$844,000) of this provision remains unspent.

(g) Air permit contingent payment:

Upon completion of the Keadle acquisition on July 1, 2013, the Company accrued US\$7,000,000 (see Note 5), which is payable contingent upon receipt of an upgrade to the air permit which will allow the Company to operate a second shift at the Thomaston mill. Receipt of this approval is expected in the first quarter, 2014, with the payment to be made 365 days thereafter. The accrual has been revalued at the year-end exchange rate to \$7,445,000.

12. Reforestation liability:

The Company has an obligation to reforest areas harvested under various timber rights. The obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation.

Changes in the reforestation liability for the years ended December 31 are as follows:

	2013	2012
Reforestation liability, beginning of year	\$ 28,485	\$ 31,898
Reforestation expense on current logging and market logging agreements	13,283	10,847
Liabilities assumed with timber acquisition	2,279	-
Reforestation expenditures	(11,341)	(12,345)
Transfer of obligation	-	(1,900)
Unwind of discount	441	360
Changes in estimated future reforestation expenditures	(731)	(375)
	\$ 32,416	\$ 28,485
Consisting of:		
Current reforestation liability	\$ 11,754	\$ 10,864
Long term reforestation liability	20,662	17,621
	\$ 32,416	\$ 28,485

The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation at December 31, 2013 is 33,285,000 (2012 - \$28,601,000). The reforestation expenditures are expected to occur over the next one to fifteen years and have been discounted at a long term risk-free interest rate of 3% (2012 - 2%). Reforestation expense resulting from obligations arising from current logging are included in Production costs for the year and expense related to the unwinding of the discount is included in Finance costs.

13. Share capital:

(a) Share transactions:

Authorized capital at December 31, 2013 and 2012 consists of:

- 100,000,000 Class A subordinate voting shares without par value;
- 1,700,000 Class B common shares without par value; and
- 5,000,000 preference shares without par value.

Share transactions during 2013 and 2012 were as follows:

	Number			Amount
	Class A	Class B	Total	
Balance, December 31, 2011 and 2012	54,847,176	1,015,779	55,862,955	\$ 346,365
Share issuance, net of share issue expenses	7,187,500	-	7,187,500	82,358
Class B shares converted to Class A	1,015,779	(1,015,779)	-	-
Balance, December 31, 2013	63,050,455	-	63,050,455	\$ 428,723

13. Share capital (continued):

(a) Share transactions (continued):

The first 13-1/3¢ per share per annum of dividends to common shareholders declared are paid on the Class A shares. Any additional dividends must be declared in equal per share amounts on the Class A and B shares.

The Class B shares (carrying ten votes per share) are exchangeable into Class A shares (carrying one vote per share) at any time at the option of the holder or, under certain conditions which will result in the automatic conversion of the Class B shares into Class A shares, on the basis of one Class A share for one Class B share.

On August 23, 2013, the Company's controlling shareholder, Sauder Industries Limited ("SIL") exercised its right under the Company's Articles to exchange its Class B Common Shares for Class A Subordinate Voting Shares on a share for share basis without any cash or non-cash consideration. As a result of the exchange by SIL, all remaining Class B Shares were automatically converted to Class A Shares.

On September 30, 2013 the Company closed a public offering of 7,187,500 Class A Subordinate Voting shares at a price of \$12.00 per share for gross proceeds of \$86,250,000 less transaction costs of \$3,892,000 to net cash proceeds of \$82,358,000.

Proceeds were used to fund completion of capital projects expected to increase the operational efficiency of, and support higher operating rates from, the Company's assets with the expectation of increased profitability. Initially, a portion of the proceeds was used to reduce the Company's debt levels.

There were no changes in contributed surplus in 2013 or 2012.

At December 31, 2013, 1,631,740 Class A shares are reserved for possible future issuance pursuant to the share option plan.

(b) Share option plan:

The Company has an employee share option plan for its key employees and directors. The vesting of the options occurs at a rate of 40% two years after granting and 20% per annum thereafter. Options expire ten years after the date of the grant. There were no options outstanding at December 31, 2013 and 2012. No share options have been granted after November 7, 2002.

14. Depreciation, depletion and amortization:

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

	2013	2012
Production	\$ 61,300	\$ 51,471
Selling and administration	967	922
	\$ 62,267	\$ 52,393

15. Personnel expenses:

	<i>Note</i>	2013	2012
Wages and salaries		\$ 133,795	\$ 100,743
Government administered pensions and unemployment insurance		6,601	5,671
Workers' compensation insurance		3,392	3,716
Contributions to defined contribution plans	22	5,789	4,778
Expenses related to defined benefit plans	22	1,183	925
Cash-settled share-based payment transactions and other long term compensation expense	11	18,841	10,065
Medical, dental, group insurance and other		11,046	8,848
		\$ 180,647	\$ 134,746

16. Finance costs:

Recognized in Net earnings:

	2013	2012
Interest on borrowing	\$ (7,460)	\$ (5,221)
Net interest on defined benefit plans	(210)	(117)
Reclassification of loss in fair value of interest rate swap from Other comprehensive income	(58)	-
Unwind of discount on provisions	(522)	(454)
Amortization of deferred finance costs	(819)	(649)
	\$ (9,069)	\$ (6,441)

Recognized in Other comprehensive income:

	2013	2012
Effective portion of changes in fair value of interest rate swap	\$ 241	\$ 371

17. Other income:

	2013	2012
Gain on disposal of surplus equipment, licences and roads	\$ 484	\$ 309
Gain on lumber futures trading	118	25
	\$ 602	\$ 334

18. Restructuring costs and write-downs of roads:

	<i>Note</i>	2013	2012
Severance costs	11	\$ 371	\$ 724
Road write-downs	9	-	164
Other (recovery)	11	-	(359)
		\$ 371	\$ 529

19. Income taxes:

Income tax expense is as follows:

	2013	2012
Current tax expense:		
Current year	\$ 434	\$ 522
Adjustments for prior periods	29	118
	463	640
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	13,273	(2,612)
Changes in tax rates	(529)	57
Change in unrecognized deferred income tax assets	(12,652)	2,373
	92	(182)
	\$ 555	\$ 458

Income tax (expense) recovery recognized in Other comprehensive income is as follows:

	2013	2012
Loss (gain) on hedge of net investment in foreign operation	\$ 212	\$ (84)
	\$ 212	\$ (84)

The reconciliation of income taxes at the statutory rate to the income tax expense is as follows:

	2013	2012
Income tax expense (recovery) at the statutory rate of 25.75% (2012 – 25%)	\$ 11,019	\$ (2,062)
Unrecognized deferred income tax assets	(12,652)	2,373
Entities with different tax rates	2,618	(3)
Change in future tax rates and statutory and tax recovery rate difference	(529)	57
Other	99	93
	\$ 555	\$ 458

Unrecognized deferred income taxes:

The Company has unrecognized deferred income tax assets in relation to certain deductible temporary differences and unused tax losses that are available to carry forward against future taxable income. The Company's Canadian non-capital loss carry-forwards and U.S. net operating loss carry-forwards total approximately \$276,000,000 (2012 - \$292,000,000), expire between 2023 and 2032, and are available to reduce future taxable income.

Although the Company expects to realize the full benefit of the loss carry-forwards and other deferred income tax assets, due to the cyclical nature of the wood products industry and the economic conditions over the past several years, the Company has not recognized the benefit of its deferred income tax assets in excess of its deferred income tax liabilities, except in limited circumstances.

Years ended December 31, 2013 and 2012

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

19. Income taxes (continued):

Deferred income tax assets are not recognized in respect of the following:

	2013	2012
Losses carried forward	\$ 80,592	\$ 117,203
Deductible temporary differences	2,561	7,584
	\$ 83,153	\$ 124,787

Recognized deferred income taxes:

December 31, 2013	Opening Balance	Recognized in Income Tax Expense	Recognized in Other Comprehensive Income (loss)	Ending Balance
Deferred income tax assets				
Losses	\$ 52,471	\$ 7,433	\$ -	\$ 59,904
Reserves	12,394	2,848	-	15,242
Tax credits	955	-	-	955
Defined benefit plan				
actuarial losses	680	12	-	692
Share issuance costs	668	26	-	694
Other	1,523	(271)	-	1,252
Deferred income tax liabilities				
Capital assets	(68,331)	(10,190)	-	(78,521)
Loss (gain) on hedge of net investment in foreign operation	(262)	50	212	-
Total	\$ 98	\$ (92)	\$ 212	\$ 218
December 31, 2012	Opening Balance	Recognized in Income Tax Expense	Recognized in Other Comprehensive Income (loss)	Ending Balance
Deferred income tax assets				
Losses	\$ 42,228	\$ 10,243	\$ -	\$ 52,471
Reserves	12,818	(424)	-	12,394
Tax credits	938	17	-	955
Defined benefit plan				
actuarial losses	680	-	-	680
Share issuance costs	668	-	-	668
Other	2,427	(904)	-	1,523
Deferred income tax liabilities				
Capital assets	(59,581)	(8,750)	-	(68,331)
Loss (gain) on hedge of net investment in foreign operation	(178)	-	(84)	(262)
Total	\$ -	\$ 182	\$ (84)	\$ 98

20. Commitments and contingencies:

(a) Operating leases and contractual obligations:

The Company is obligated under various operating leases and contracts requiring minimum annual payments in each of the next five years as follows:

2014	\$ 12,340
2015	5,150
2016	4,350
2017	2,630
2018	2,080

(b) On acquisition of the Thomaston sawmill operations from Keadle Lumber Enterprises, Inc., the Company agreed to pay an additional US\$7,000,000, contingent upon receipt of an upgrade to the air permit which will allow the Company to operate a second shift. Receipt of this approval is expected in the first quarter, 2014, with the payment to be made 365 days thereafter. The liability, revalued at the year-end foreign exchange rate to \$7,445,000, is included in Other liabilities and provisions in the Statement of Financial Position as at December 31, 2013.

(c) Surety Performance Bonds:

The Company has posted \$19,164,000 in surety performance bonds, with various expiry dates extending through March, 2018.

(d) Other contingencies:

The Company is subject to a number of claims arising in the normal course of business in respect of which either an adequate provision has been made or for which no material liability is expected.

21. Net earnings per share:

Net earnings per share is based on the earnings attributable to shareholders and a weighted average number of shares outstanding for the year.

The reconciliation of the numerator and denominator is determined as follows:

	2013			2012		
	Net earnings (loss)	Weighted average number of Shares	Per share	Net earnings (loss)	Weighted average number of Shares	Per share
Issued shares at January 1		55,863			55,863	
Effect of shares issued on September 30, 2013		1,831			-	
Basic and diluted earnings (loss) per share	\$ 42,239	57,694	\$ 0.73	\$ (9,474)	55,863	\$ (0.17)

There were no share options outstanding at December 31, 2013 (2012 – nil).

22. Employee future benefits and other post-retirement plans:

The Company maintains a number of savings and retirement plans that are available to employees that meet certain eligibility requirements.

(a) Defined contribution plans:

In Canada, salaried employees of the Company are provided with the opportunity of making voluntary contributions based on a percentage of an employee's earnings to a Registered Retirement Savings Plan ("RRSP"). The Company matches employees' RRSP contributions with contributions to a Deferred Profit Sharing Plan ("DPSP") with the employee's future retirement benefits based on these contributions along with investment earnings on the contributions.

For the DPSP, the Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2013, the pension expense for this plan is equal to the Company's contribution of \$1,324,000 (2012 - \$1,265,000).

Certain eligible employees of the Canadian Merchant Services Guild ("CMSG") are required to make contributions based on a percentage of earnings into a defined contribution plan. For 2013, the pension expense is equal to the Company's contribution of \$49,000 (2012 - \$46,000).

Employees of Interfor U.S. Inc. and Cedarprime Inc., the Company's wholly-owned U.S. operating subsidiaries, contribute a percentage of their earnings to a 401(k) plan which the Company matches and which vest immediately. The Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2013, the pension expense for this plan is equal to the Company's contribution of \$1,317,000 (2012 - \$730,000).

(b) Unionized employees' pension plan:

The Company contributes to an industry-wide benefit plan for unionized employees based on a predetermined amount per hour worked by an employee. For 2013, the pension expense for these plans is equal to the Company's contribution of \$2,420,000 (2012 - \$2,358,000). As there is insufficient information available to enable the Company to account for this plan as a defined benefit plan, the plan has been accounted for as a defined contribution plan. The Company's liability is limited to its contributions.

(c) Senior management supplementary pension plans:

The Company provides supplementary pension benefits to certain members of its senior management in the form of a notional extension to the DPSP in Canada and the 401(k) plan in the U.S. These commitments are not funded but are fully accrued by the Company, with a portion of the commitments being secured by irrevocable letters of credit.

During 2013 the Company recorded an expense of \$679,000 (2012 - \$378,000) in respect of these plans. The amounts accrued for defined contribution commitments is \$4,926,000 (2012 - \$4,423,000).

The accrued liabilities of this plan are included in the Company's Statement of Financial Position as follows:

	2013	2012
Trade accounts payable and provisions	\$ 317	\$ 294
Employee future benefits obligation	4,609	4,129
	\$ 4,926	\$ 4,423

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans:

The Company and the non-union hourly employees at the Adams Lake operations make contributions to a defined benefit pension plan that provides pension benefits upon retirement. The plan entitles a retired employee to receive monthly payments based on a schedule of defined benefit accruals for different periods of service.

The Company makes contributions to a defined benefit pension plan that provides pension benefits to certain eligible employees of the CMSG upon retirement. The plan provides a retired employee a monthly payment based on a percentage of their average earnings at retirement, and their years of service. In addition, the Company provides post-retirement medical and life insurance benefits to certain eligible CMSG retirees.

The Company maintains a non-contributory defined benefit pension plan for a former senior executive.

The Company makes contributions to a defined benefit pension plan that provides pension benefits to the eligible employees of wholly-owned subsidiary Seaboard Shipping Company Limited ("SSCL") upon retirement. The plan provides a retired employee a monthly payment based on a percentage of their final average salary at retirement, and their years of service. Effective December 31, 2013, the plan was terminated and the wind-up process commenced. In addition, the Company provides post retirement life insurance benefits to eligible SSCL retirees. Specified individuals at SSCL also receive a supplemental pension upon retirement based on a percentage of final average earnings at retirement, and years of service.

The Company measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

The most recent and the next scheduled actuarial valuations for funding purposes for the significant pension plans are:

	Most Recent Valuation	Next Scheduled Valuation
Adams Lake Pension Plan	December 31, 2012	December 31, 2015
CMSG Pension Plan	December 31, 2012	December 31, 2015
SSCL Plan	December 31, 2012	December 31, 2013

The results of the December 31, 2013 SSCL Plan actuarial valuations will be received in 2014. The significant pension plans are subject to the statutory requirements (including minimum funding requirements) of their respective jurisdictions and the Income Tax Act. Each plan's pace of funding is determined by the Company, subject to the statutory minimums and maximums.

In 2013, the Company paid contributions of \$1,558,000, and in lieu of making cash special payments to fund certain deficits, posted letters of credits totaling \$1,807,000. In 2014, the Company expects to pay contributions of \$860,000 to its defined benefit plans, and hold a total of \$4,998,000 of letters of credit.

The Company has determined that, in accordance with statutory requirements of the plans (such as minimum funding requirements), the present value of refunds or reductions in future contributions for all plans, with the exception of the SSCL Plan, is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. The curtailment of the SSCL Plan at December 31, 2013 resulted in the reduction of the defined benefit asset and the recognition of a defined benefit liability resulting from the asset ceiling limit of \$700,000 (2012 - \$ nil).

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

The Company adopted revised IFRS standard IAS 19R for its employee benefits reporting, resulting in a restatement of its obligations at December 31, 2012. The comparative reconciliations shown below reflect the restated figures at December 31, 2012.

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Defined benefit obligation:				
Beginning of year	\$ 54,812	\$ 49,645	\$ 1,833	\$ 1,627
Service cost	716	585	45	35
Employee contributions	342	297	-	-
Interest cost	2,272	2,422	78	80
Benefit payments	(3,222)	(2,691)	(87)	(104)
Past service cost (settlements)	-	-	(17)	-
Actuarial loss (gain) due to:				
Demographic assumptions	1,043	-	28	-
Financial assumptions	(3,390)	4,410	(1)	195
Experience adjustment	605	144	(334)	-
End of year	\$ 53,178	\$ 54,812	\$ 1,545	\$ 1,833
Plan assets:				
Beginning of year	\$ 51,897	\$ 48,516	\$ -	\$ -
Interest on plan assets	2,139	2,342	-	-
Employer contributions	1,471	1,791	87	104
Employee contributions	342	297	-	-
Benefit payments	(3,222)	(2,691)	(87)	(104)
Administration costs	(228)	(138)	-	-
Actuarial gain	4,483	1,780	-	-
End of year	\$ 56,882	\$ 51,897	\$ -	\$ -

The following summarizes the balances recognized on the Statement of Financial Position:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Fair value of plan assets	\$ 56,882	\$ 51,897	\$ -	\$ -
Present value of unfunded obligations	414	447	1,545	1,833
Present value of funded obligations	52,764	54,365	-	-
Surplus (deficit)	3,704	(2,915)	(1,545)	(1,833)
Effect of asset ceiling limit	(700)	-	-	-
Accrued benefit (obligation)	\$ 3,004	\$ (2,915)	\$ (1,545)	\$ (1,833)

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

The following table shows the Company's net expense recognized in the Statement of Earnings and the actuarial (gains) losses recognized in Retained earnings through Other comprehensive income:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Statement of Earnings				
Production expense	\$ 944	\$ 773	\$ 28	\$ 35
Finance costs	133	37	78	80
	\$ 1,077	\$ 810	\$ 106	\$ 115
Other comprehensive income				
Actuarial (gains) losses	\$ (6,225)	\$ 2,774	\$ (307)	\$ 195
Effect of asset ceiling limit	700	(169)	-	-
	\$ (5,525)	\$ 2,605	\$ (307)	\$ 195

The Company's accrued benefit assets (liabilities) are included in the Company's Statement of Financial Position as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Employee future benefits asset	\$ 3,980	\$ 878	\$ -	\$ -
Trade accounts payable and provisions	(74)	(74)	(50)	(50)
Employee future benefits obligation	(902)	(3,719)	(1,495)	(1,783)
	\$ 3,004	\$ (2,915)	\$ (1,545)	\$ (1,833)

Plan assets consist of:

Asset category	2013	2012
Investment Funds		
Canadian Equity	\$ 16,630	\$ 14,786
U.S. Equity	-	6,068
International Equity	-	6,503
Global	14,494	-
Money Market	28	641
Fixed Income	24,090	22,314
Balanced	527	505
Cash	88	63
Other	1,025	1,017
Total	\$ 56,882	\$ 51,897

The plan assets held in investment funds are managed by Investment Managers and the fair values of these investments have been determined based on the unit price of the underlying funds. As such, all investment funds are categorized as Level 2 of the fair value hierarchy.

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

Actuarial assumptions used in accounting for the Company maintained benefit plans (expressed as weighted averages) are:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Defined benefit obligation as of December 31				
Discount rate	4.69%	4.19%	4.65%	4.25%
Compensation increases ⁽¹⁾	3.22%	3.39%	-	-
Pension expense				
Discount rate	4.19%	4.88%	4.25%	4.95%
Compensation increases ⁽¹⁾	3.39%	3.39%	-	-

(1) Compensation increases only relate to the MSG plan and the SSCL plans.

For measurement purposes at December 31, 2013, the Company has assumed a 5.85% health care cost trend in 2014 grading down to 4.38% in 2021 (2012 – 5.40% health care cost trend in 2013 grading down to 4.27% in 2015).

	Pension Benefits	Other Post-retirement Benefits
Effect of 1% decrease in discount rate on defined benefit obligation	\$ 7,044	\$ 196

The sensitivity to the discount rate has been determined assuming all other assumptions remain unchanged. An increase in the discount rate would have an opposite effect of similar magnitude.

The weighted average durations of the defined benefit pension plans and other post-retirement benefit plans is twelve years.

Through its defined benefit pension plans and other post-retirement benefits, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset liability mismatch – The defined benefit plan obligations are calculated using a discount rate set with reference to corporate bond yields. While the Adams Lake and MSG pension plans hold some fixed income investments, both plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term. However, in the short term, there will be volatility in the funded status of the plans. In relation to the SSCL plans the duration of the invested assets is approximately matched by the duration of the liabilities and are all held in fixed income investments.

Life expectancy – The majority of obligations are to provide benefits for the life of the member, so increases in life expectancy would result in increased obligations.

23. Related party transactions:

(a) Key management personnel compensation:

Key management personnel are comprised of the Company's directors and executive officers. The remuneration of key management personnel was as follows:

	2013	2012
Salary and short-term employee benefits	\$ 4,339	\$ 2,846
Post-employment benefits	412	347
Other long term benefits	(97)	2,538
Share-based compensation expense	14,016	4,195
	\$ 18,670	\$ 9,926

Obligations in relation to key management personnel, including directors, are as follows:

	2013	2012
Trade accounts payable and provisions	\$ 7,960	\$ 6,419
Employee benefits obligation	3,131	2,556
Provisions and other liabilities	11,675	5,582
	\$ 22,766	\$ 14,557

- (b) On August 23, 2013, SIL ceased to be a significant shareholder (see Note 13(a)). Prior to that date, the Company had lumber sales to SIL in the amount of \$474,000 (2012 - \$1,069,000).

All transactions were conducted on a normal commercial basis, including terms and prices.

24. 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 Pacific Northwest and U.S. Southeast, U.S.

The Company sells to both foreign and domestic markets as follows:

	2013	2012
Canada	\$ 226,989	\$ 234,750
United States	556,878	365,096
China/Taiwan	130,697	103,982
Japan	121,548	105,952
Other export	69,110	39,416
	\$ 1,105,222	\$ 849,196

24. Segmented information (continued):

Sales by product line are as follows:

	2013	2012
Lumber	\$ 872,264	\$ 631,238
Logs	136,633	113,902
Wood chips and other by products	72,418	69,376
Ocean freight and other	23,907	34,680
	\$ 1,105,222	\$ 849,196

Non-current assets by geographic location are as follows:

	2013	2012
Canada	\$ 345,256	\$ 333,304
United States	250,535	126,577
	\$ 595,791	\$ 459,881

25. Capital management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on average invested capital, which it defines as net earnings plus after-tax interest cost divided by the average of opening and closing invested capital, comprised of the total of bank indebtedness, long term debt and shareholders' equity.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital position. The Company's target is to create value for its shareholders over the long term through increases in share value.

There were no changes in the Company's approach to capital management during 2013. Under its debt financing agreements, the Company cannot exceed a total debt to total capitalization ratio of 45%, with total debt defined as the total of bank indebtedness, including letters of credit, and long term debt, net of cash and cash equivalents and total capitalization defined as total debt plus Shareholders' equity. The financial covenants under the debt financing agreements also carry a minimum working capital and a minimum net worth requirement.

The Company is in compliance with all of its debt covenants and expects to remain in compliance.

26. Financial instruments:

(a) Fair value of financial instruments:

At December 31, 2013, the fair value of the Company's long term debt approximated its carrying value of \$145,479,000 (2012 - \$135,046,000). The fair values of other financial instruments approximate their carrying values due to their short-term nature.

26. Financial instruments (continued):**(b) Derivative financial instruments:**

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

As at December 31, 2013, the Company had outstanding foreign currency forward contract obligations to sell a maximum of US\$8,000,000 at an average rate of CAD\$1.0653 to the US\$1.00 and ¥145,425,000 at an average rate of ¥96.95 to the US\$1.00 during 2014. All foreign currency gains or losses to December 31, 2013 have been recognized in Other foreign exchange gain (loss) in Net earnings and the fair value of these foreign currency contracts, being an asset of \$136,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (December 31, 2012 - \$134,000 asset recorded in Trade accounts receivable and other measured based on Level 2 of the fair value hierarchy).

On August 25, 2011, the Company entered into two interest rate swaps, each with a notional value of \$25,000,000 and maturing July 28, 2015. Under the terms of the swaps the Company pays an amount based on a fixed annual interest rate of 1.56% and receives a 90 day BA CDOR which is recalculated at set interval dates. These interest rate swaps were unwound on October 22, 2013.

On March 25, 2013, the Company entered into two additional interest rate swaps, each with notional value of US\$25,000,000 and maturing February 17, 2017. Under the terms of these swaps the Company pays an amount based on a fixed annual interest rate of 0.84% and receives a 90 day LIBOR which is recalculated at set interval dates.

The intent of the interest rate swaps is to convert floating-rate interest expense to fixed-rate interest expense. As these swaps have been designated as cash flow hedges, the fair value of these interest rate swaps at December 31, 2013, being an asset of \$166,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (December 31, 2012 - \$133,000 liability recorded in Trade accounts payable and provisions measured based on Level 2 of the fair value hierarchy) and a gain of \$241,000 (December 31, 2012 - \$371,000 gain) has been recognized in Other comprehensive income for the year ending December 31, 2013.

To manage price risk, the Company also traded lumber futures which were designated as held for trading with changes in fair value recorded in Other income in Net earnings. At December 31, 2013 there were no outstanding lumber futures contracts and a gain of \$118,000 was recognized in Other income on completed contracts for the year ended December 31, 2013 (December 31, 2012 - \$25,000 gain).

Lumber futures are traded through a well-established financial services firm with a long history of providing trading, exchange and clearing services for commodities and foreign currencies. As trading activities are closely monitored by senior management and restricted including a maximum number of outstanding contracts at any point in time the risk of credit loss on these instruments is considered low.

26. Financial instruments (continued):

(c) Hedge of investment in foreign operations:

As at December 31, 2013, U.S. dollar borrowings under the Revolving Term Line and Senior Secured Notes were designated as hedges against the Company's investment in its foreign U.S. operations with unrealized foreign exchange gains (losses) recorded in Other comprehensive income as follows:

Designation date	Opening balance ⁽¹⁾	Additions ⁽¹⁾	Payments ⁽¹⁾	Closing balance ⁽¹⁾	Unrealized foreign exchange gains (losses) ⁽²⁾	
					2013	2012
October 1, 2008 ⁽³⁾	\$ 30,200	\$ -	\$ -	\$30,200	\$ (2,075)	\$ 667
March 2, 2013 ⁽³⁾	-	70,000	(15,000)	55,000	(2,265)	-
June 19, 2013 ⁽³⁾	-	50,000	(50,000)	-	(1,495)	-
June 26, 2013 ⁽⁴⁾	-	50,000	-	50,000	(635)	-
July 1, 2013 ⁽³⁾	-	13,000	(13,000)	-	297	-
	\$ 30,200	\$183,000	\$ (78,000)	\$135,200	\$ (6,173)	\$ 667

(1) Denominated in U.S. dollars

(3) Drawn on Revolving Term Line

(2) Denominated in Canadian dollars

(4) Drawn on Senior Secured Notes

Repayments were de-designated as a hedge of the Company's investment in its foreign U.S. operations.

(d) Financial risk management:

Financial instrument assets include cash and cash equivalents, deposits and accounts receivable. Cash and cash equivalents, deposits and accounts receivable are designated as loans and receivables and measured at amortized cost.

Financial instrument liabilities include bank indebtedness, accounts payable and other provisions, long term debt, and certain other long term liabilities. All financial liabilities are designated as other liabilities and are initially measured at fair value plus any direct transaction costs and subsequently at amortized cost using the effective interest method.

There are no financial instruments classified as available-for-sale or held-to-maturity.

The use of financial instruments exposes the Company to credit, liquidity and market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its standards and procedures, management has developed a control environment in which employees are clear on roles and obligations and management regularly monitors compliance with its risk management policies and procedures.

26. Financial instruments (continued):

(d) Financial risk management (continued):

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's receivables from customers and from cash and cash equivalents.

Accounts receivable

The Company's exposure to credit risk is dependent upon individual characteristics of each customer. Each new customer is assessed for creditworthiness before standard payment and delivery terms and conditions are offered, with such review encompassing any external ratings, and bank and other references. Purchase limits are established for each customer, and are regularly reviewed. In some cases, where customers fail to meet the Company's benchmark creditworthiness, the Company may choose to transact with the customer on a prepayment basis.

All North American sales are conducted under standard industry terms. All lumber sales outside of the North American markets are either insured as to 90% of receivable amounts by the Export Development Corporation or are secured by irrevocable letters of credit.

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. Historically, the Company has managed its credit tightly and has experienced minimal bad debts. Based on this past experience and its detailed review of trade accounts receivable past due which were considered uncollectible, a reserve in respect of doubtful accounts of \$42,000 was recorded as at December 31, 2013 (2012 - \$91,000).

Deposits

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a high credit rating. As such, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Company did not provide any guarantees in 2013.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure for receivables in North America. As log and lumber sales outside of the North American markets are insured by the Export Development Corporation to 90% or secured by irrevocable letters of credit, credit exposure for these sales is limited.

26. Financial instruments (continued):

(d) Financial risk management (continued):

(i) Credit risk (continued):

Accounts receivable carrying value at the reporting date by geographic region were:

	2013	2012
Canada	\$ 12,813	\$ 15,974
United States	31,093	17,586
Japan	7,962	6,286
China/Taiwan	5,065	4,600
Other	5,802	2,946
	\$ 62,735	\$ 47,392

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures, as far as possible, that it will always have sufficient liquidity to meet obligations when due and monitors cash flow requirements daily and projections weekly. Weekly debt graphs are reviewed by senior management to monitor cash balances and debt line utilizations.

The Company also maintains a revolving Operating Line, a Revolving Term Line and a U.S. Operating Line that can be drawn on to meet financing needs.

The estimated cash payments due in respect of contractual and legal obligations including projected major capital improvements are summarized as follows:⁽¹⁾

	Total	Payments due by period			
		Up to 1 year	2-3 years	4-5 years	After 5 years
Trade accounts payable and accrued liabilities	\$ 81,772	\$ 81,772	\$ -	\$ -	\$ -
Income taxes payable	395	395	-	-	-
Long term debt	145,479	-	744	91,555	53,180
Reforestation liability	33,285	11,754	8,097	6,116	7,318
Provisions and other liabilities	40,882	15,855	9,576	1,956	13,496
Operating leases and expected capital commitments	31,030	12,340	9,500	4,710	4,480
Total obligations	\$332,843	\$122,116	\$ 27,917	\$104,337	\$ 78,474

(1) Table may not add due to rounding

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return relative to risk.

26. Financial instruments (continued):

(d) Financial risk management (continued):

(iii) Market risk (continued):

Currency risk

The Company is exposed to currency risk on cash and cash equivalents, accounts receivable, accounts payable and provisions and long term debt that are denominated in a currency other than the respective functional currencies of the Company's domestic and foreign operations, primarily Canadian and U.S. dollars, but also the Euro, Sterling and Yen. The Company uses forward exchange contracts and options to manage its currency risk from time to time, as described in Note 26(b). The Company routinely assesses its foreign exchange exposure by reviewing outstanding contracts, pending order files and working capital denominated in foreign currencies.

At December 31, 2013, the Company has U.S. dollar drawings under its Revolving Term Line and Senior Secured Notes of US\$135,200,000 (2012 – US\$30,200,000). These U.S. dollar drawings have been designated as a hedge against the investment in the Company's net investment in its U.S. operations.

As at December 31, the Company's accounts receivable were denominated in the following currencies (in thousands):

2013	CAD	USD	Japanese ¥
Accounts receivable	15,109	18,926	160,548
Accounts receivable held by foreign subsidiaries with \$US functional currency	-	24,592	-
	15,109	43,518	160,548
2012	CAD	USD	Japanese ¥
Accounts receivable	17,389	14,882	79,471
Accounts receivable held by foreign subsidiaries with \$US functional currency	8	14,841	-
	17,397	29,723	79,471

As at December 31, 2013, the domestic operations of the Company held cash and cash equivalents of US\$1,071,000 (2012 – US\$3,982,000). Cash and cash equivalents held by foreign subsidiaries totaled US\$2,845,000 (2012 - US\$9,265,000).

Based on the Company's net exposure to foreign currencies as at December 31, 2013, including U.S. dollar denominated cash and cash equivalents, long term debt and other financial instruments, the sensitivity of the U.S. dollar balances to the Company's net annual earnings is as follows:

U.S. dollar \$0.01 increase vs CAD\$ \$negligible decrease in net income

Based on the Company's net exposure to foreign currencies as at December 31, 2013, in respect of its net investment in U.S. subsidiaries, the sensitivity of the U.S. dollar balances to the Company's Other comprehensive income is as follows:

U.S. dollar \$0.01 increase vs CAD\$ \$934,000 decrease in OCI

26. Financial instruments (continued):

(d) Financial risk management (continued):

(iii) Market risk (continued):

Interest rate risk

The Company has reduced its exposure to changes in interest rates on borrowings by entering into interest rate swaps, as described in Note 26(b). The intent of these swaps is to convert floating-rate interest expense to fixed-rate interest expense.

Based on the Company's average debt level during 2013, the sensitivity of a 100 basis point increase in interest rates would result in an approximate decrease of \$944,000 (2012 - \$472,000) in annual net earnings.

Other market price risk

The Company does not enter into commodity contracts other than to meet the Company's expected usage and sale requirements and such contracts are not settled net.

27. Subsequent event:

On February 8, 2014, the Company entered into a share purchase agreement (the "Purchase Agreement") with Ilim Timber Continental, S.A. ("ITC") to acquire all of the outstanding common shares of Tolleson Ilim Lumber Company for consideration comprised of US\$129,900,000 in cash and retained liabilities and 3,680,000 common shares of the Company. The Tolleson operations include two sawmills in Perry and Preston, Georgia, with a combined annual lumber production capacity of more than 400 million board feet plus a remanufacturing facility in Perry, Georgia.

The Company also entered into a non-competition agreement (the "Non-Competition Agreement") with ITC, which is subject to completion of the Purchase Agreement. Under terms of the Non-Competition Agreement, ITC and its affiliates would be prohibited from carrying on various activities within Canada and the U.S. that would be in competition with the Company's operating activities. The Non-Competition Agreement expires five years from the closing date of the Purchase Agreement.

This acquisition remains subject to various closing conditions, including regulatory approval, and is anticipated to close in the first quarter of 2014. The acquisition will be financed in part from Interfor's existing credit facilities, to be amended as described below, and is expected to be accretive to net earnings immediately.

In conjunction with the Purchase Agreement, the Company has secured commitments from its lenders to increase the credit available under its Revolving Term Line from \$200,000,000 to \$250,000,000, without change to other terms and conditions.

ANNUAL INFORMATION FORM

Prepared as of February 13, 2014

FORWARD LOOKING INFORMATION

This report contains forward-looking statements. Forward-looking statements are statements that address or discuss activities, events or developments that the Company expects or anticipates may occur in the future. Forward-looking statements are included in the description of areas which are likely to be impacted by the description of future cash flows and liquidity under the headings. These forward-looking statements reflect management's current expectations and beliefs and are based on certain assumptions including assumptions as to general business and economic conditions in the U.S. and Canada, as well as other factors management believes are appropriate in the circumstances. 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 2013 annual Management's Discussion and Analysis under "Risks and Uncertainties" and in Interfor's current Annual Information Form. 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.

DESCRIPTION OF THE BUSINESS

Interfor is a leading global supplier of lumber products. The Company has sawmilling operations in British Columbia, Washington, Oregon and Georgia and supplies lumber products to markets in North America, the Asia-Pacific region and Europe. The Company's annual production capacity exceeds two billion board feet.

Interfor also owns a value-added remanufacturing facility in Washington and operates a break bulk shipping service transporting lumber and other building materials from the west coast of North America to markets in the Asia-Pacific region.

Our Company was incorporated under the *Company Act (British Columbia)* on May 6, 1963. On December 1, 1979 we amalgamated with our subsidiary, Whonnock Forest Products Limited. On January 1, 1988 we changed our name from Whonnock Industries Limited to International Forest Products Limited. On February 10, 2006 we transitioned under the *Business Corporations Act (British Columbia)*. Our head office as well as our registered and records offices are located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1H7.

In this document, a reference to the "Company", "Interfor", "we" or "our" means International Forest Products Limited and its predecessors and all our subsidiaries. Our significant wholly-owned subsidiary, Interfor U.S. Inc. (formerly Interfor Pacific Inc.), is incorporated in the State of Washington and owns and operates our U.S. sawmills. Other wholly-owned subsidiaries whose operations are described below are CEDARPRIME Inc. (incorporated in the State of Washington), Interfor Sales & Marketing Ltd. (incorporated in British Columbia), Interfor Japan Ltd. (incorporated in British Columbia), and Seaboard Shipping Company Limited (incorporated in British Columbia).

HISTORY

Our business originated in the 1930's with a sawmill in Whonnock, about 48 kilometres east of Vancouver B.C. Since that time, we have made significant investments to expand, upgrade and diversify our production facilities and timber base through capital programs and the acquisition of manufacturing plants and timber resources from other companies.

RECENT DEVELOPMENTS

2011

Overseas markets, particularly China, continued their growth helping to offset weak North American demand and providing some stability for pricing.

In January, 2011, the Company acquired full control of Seaboard International Shipping Company Limited. In April, 2011, the Company closed a public offering of 8,222,500 Class A Subordinate Voting shares at a price of \$7.00 per share for gross proceeds of \$57.6 million. The net proceeds of \$54.9 million were initially used to reduce debt levels. The Company also launched a new brand initiative to build the Company's presence in the marketplace and support future growth.

2012

North American lumber markets improved in 2012 as positive economic signs began to emerge in the U.S. and activity levels in China and Japan rose as the year progressed. Improved markets, combined with supply constraints, resulted in higher prices for most products especially in the second half of the year. Interfor took advantage of the improving market environment to increase operating rates with the combination of higher prices and increasing volumes contributing to better financial results relative to 2011. Capital upgrades started in 2011 at the Grand Forks sawmill were completed.

2013

Increased North American demand as U.S. housing markets continued to improve, coupled with price tension created by off-shore markets resulted in higher sales realizations and higher operating rates in 2013. On March 1, 2013, Interfor concluded the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S. for US\$84.4 million, adding three sawmills (Baxley, Eatonton and Swainsboro) and a combined 360 million board feet to its annual lumber capacity and broadening its product mix to include Southern Yellow Pine. We have filed a Business Acquisition Report on SEDAR with respect to this acquisition.

On May 1, 2013, the Company acquired two timber tenures in the Kootenay Region of B.C. from Springer Creek Management Ltd. The tenures have a combined allowable annual cut ("AAC") of approximately 174,000 cubic metres and will support increased production levels at the Castlegar sawmill.

On July 1, 2013, the Company added a fourth sawmill (Thomaston) in Georgia for US\$39.1 million, of which US\$32.1 million was paid on closing. Payment of US\$7.0 million is contingent upon receipt of an upgrade to the air permit which would allow the Company to operate a second shift. Following an upgrade of the sawmill's drying capacity, the Thomaston sawmill will have an annual capacity in excess of 160 million board feet on a two-shift basis.

On September 30, 2013, the Company closed a public offering of 7,187,500 Class A Subordinate Voting shares at a price of \$12.00 per share for gross proceeds of \$86.3 million, with proceeds used to complete capital upgrades and reduce debt.

MANUFACTURING AND TIMBER SUPPLY

We operate five sawmills in B.C., two sawmills and one remanufacturing plant in Washington, U.S., two sawmills in Oregon, U.S., and four sawmills in Georgia, U.S. These operations produce a wide range of products for sale in North American and offshore markets. The products range from commodity structural lumber through to specialty products, such as exterior decking and siding, machine stress rated products, industrial timbers and a wide range of appearance grade items.

The mills are capable of cutting logs of various species and grades ranging in diameter from 4 inches to 80 inches. Many of our manufacturing facilities have recently been upgraded and modified to improve the matching of timber resources with customers' lumber requirements.

In addition to improving our manufacturing capability through upgrades, we have increased our efficiency and geographic diversity and expanded our capacity through the addition of four sawmills in Georgia during 2013.

Rated capacity and production of lumber for each mill is set out in the following table:

Sawmills	Present Rated Capacity ⁽¹⁾	Production for years ended December 31,		
		2013	2012	2011
		(millions of board feet)		
B.C. Coast				
Hammond ⁽²⁾	180	94	89	80
Acorn	140	88	114	102
B.C. Interior				
Adams Lake	375	364	352	353
Castlegar	185	169	166	136
Grand Forks	160	166	105	124
U.S. Pacific Northwest				
Gilchrist	130	101	102	104
Molalla	175	203	209	185
Port Angeles	165	163	120	128
Beaver	185	102	94	52
U.S. Southeast				
Baxley ⁽³⁾	175	96	-	-
Eatonton ⁽³⁾	75	63	-	-
Swainsboro ⁽³⁾	125	76	-	-
Thomaston ⁽⁴⁾	160	40	-	-
Total	2,230	1,725	1,351	1,264

(1) Based on two shifts per day and adjusted for regional operating parameters.

(2) Volumes include lumber custom-cut at third party facilities under the direction of Hammond management amounting to 9.0 million board feet in 2013.

(3) Baxley, Eatonton and Swainsboro were acquired March 1, 2013. Volumes reported are Interfor only.

(4) Thomaston was acquired July 1, 2013. Volumes reported are Interfor only. Capacity is based on receiving an expanded air permit which is expected in quarter one of 2014.

Canadian Operations

B.C. Coast

Hammond

The Hammond operation is located on the Fraser River in Maple Ridge, B.C. The facility is focused on western red cedar and supplies siding, decking, fascia and timbers for both offshore and North American markets. The facility consists of a three-line sawmill, a planer mill and dry kilns.

Acorn

The Acorn operation is located on leased land in Delta, B.C. The facility consists of a log dewatering and merchandizing system, a sawmill, a planer mill and dry kilns. The sawmill specializes in sizes and grades of lumber for use in Japanese traditional housing made primarily from Hemlock and Douglas-Fir logs.

B.C. Interior

Adams Lake

The Adams Lake operation is located near Kamloops, B.C. The mill manufactures kiln-dried lumber for the U.S. and Canadian construction markets as well as for offshore markets. Adams Lake has the capability to cut Douglas-Fir as well as Spruce-Pine-Fir ("SPF"), Western Red Cedar, and Hemlock.

The sawmill has been specifically designed to match the current and future timber resource in the area and to address the challenges of sawing timber affected by the Mountain Pine Beetle. The sawmill incorporates proven technology that materially improved the operating efficiency and cost structure of the Adams Lake operation.

Castlegar

Our Castlegar operation, located in the southern interior of B.C., includes a sawmill, dry kilns, a planer and transportation system for moving logs on Arrow Lake. It has timber tenures with an allowable annual cut of 624,000 cubic metres and manufactures Fir-Larch, SPF, Western Red Cedar and Hemlock dimension lumber.

Grand Forks

Our Grand Forks sawmill is located in the southern interior of B.C. on a 75 acre site and manufactures kiln dried lumber for the U.S. and Canadian construction markets as well as the housing market in Japan. It has timber tenures with an allowable annual cut of 503,000 cubic metres. The sawmill cuts approximately 75% SPF and 25% Fir-Larch.

In late 2011, Interfor approved the installation of a new small log line to replace an existing two-line facility and the installation of an automated lumber grading system. Construction started in late 2011 and was substantially completed in 2012, significantly ahead of schedule, with the new line commencing start-up procedures in December, 2012. Including the expanded scope of enhancements approved in 2012, the Company spent a total of \$20.1 million, and a further \$4.2 million on an upgrade of the mill's log and lumber storage.

B.C. Timber Supply

The Province of British Columbia (the “Crown”) owns about 95% of the timberlands from which the majority of our timber is harvested. The remaining 5% of timberland is private land which is primarily located on Vancouver Island and held by a few large industrial forest landowners.

Forest and timber harvesting operations on Crown land in B.C. are regulated under the B.C. Government's *Forest and Range Practices Act (British Columbia)* and the *Forest Act (British Columbia)*. The Government is responsible for setting the AAC, approving forest development plans and cutting permits, determining the stumpage system and managing compliance and enforcement.

The Province provides for the use of Crown forest land through the granting of various forms of timber tenures. These tenure agreements provide timber harvesting rights in exchange for annual rent to cover general administration and fire preparedness obligations and stumpage fees payable to the Crown.

Our Company is required to manage forest resources under our tenures in accordance with the requirements of the applicable laws and regulations. Forest management of our tenures is guided by a team of forest professionals that are engaged in a wide array of activities such as resource planning, forest development, road building and harvesting, reforestation, forest protection and environmental certification.

We hold various Forest License (“FL”), Tree Farm License (“TFL”) and Timber License (“TL”) tenures that currently provide for an AAC of approximately of 3.9 million cubic metres. The majority of Interfor's tenures are long-term (15 and 25 year) renewable agreements that are generally replaced every five years.

Our timber supply needs are met by a combination of internal logs harvested from our own timber tenures, long-term trade and supply agreements, and by log purchases on the open market. When operating at normal capacity, our mills in B.C. would require approximately one-third of their log supply from external sources.

On the B.C. Coast, we harvest a variety of species consisting primarily of Western Hemlock, Amabilis Fir, Western Red Cedar and Douglas-Fir. In the B.C. Interior, the species mix consists of Spruce, Pine, Fir, Douglas-Fir, Larch and Western Red Cedar. The harvest is derived from both old growth and second growth stands. Whereas one-third of the harvest currently comes from second growth stands on the B.C. Coast, this amount is expected to increase significantly over the next several decades. Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season closures.

The following table shows our AAC under our FL and TFL tenures and other cutting rights and the volume of timber harvested under our FLs and TFLs and other cutting rights for the periods specified. It also presents the volume of log purchases and sales during the period.



B.C. Timber Supply	Years ended December 31,			
	2014	2013	2012	2011
	(thousands of cubic metres)			
Allowable Annual Cut⁽¹⁾				
— Forest Licences	2,775	2,684	2,684	2,701
— Non Replaceable Forest Licences	220	286	286	220
— Tree Farm Licences	875	801	801	801
— Discretionary Annual Harvest Levels ⁽²⁾	80	40	40	40
	3,950	3,811	3,811	3,762
Log Production				
— Coast		1,639	1,526	1,757
— Interior		1,959	1,770	1,651
Total Log Production		3,598	3,296	3,408
Log Purchases		1,131	1,156	1,133
Log Sales		1,339	1,352	1,356

(1) AAC status at the beginning of each year (includes a provision for non-recoverable fibre).

(2) Volumes not included in AAC.

U.S. Operations

U.S. Pacific Northwest

Gilchrist

The Gilchrist sawmill is located in Gilchrist, Oregon, on approximately 140 acres. The sawmill primarily processes Lodgepole Pine, Ponderosa Pine and White Fir to produce a wide range of specialty and dimension lumber products. The sawmill has an on-site cogeneration plant to produce electricity for its own use as well as steam for its dry kilns. At this location, we own and operate a short line railroad to connect to a mainline for shipment of lumber and chips.

Molalla

The Molalla sawmill is located in Molalla, Oregon, approximately 50 kilometres southeast of Portland. The sawmill processes primarily Hemlock and Douglas-Fir logs to produce stud lumber for the U.S. market.

Port Angeles

The Port Angeles sawmill is situated in Port Angeles, Washington, on a 64 acre site near a major highway and waterways which are convenient for shipping lumber and chips as well as for receiving logs. The sawmill primarily processes Hemlock and Douglas-Fir logs to produce stud dimension lumber for the U.S. market but is also capable of producing metric sizes for export.

Beaver

The Beaver sawmill consists of a single line 20' dimension sawmill on a 45 acre owned site. The boiler, dry kilns, and planermill are situated approximately 15 kilometres south of the sawmill on a 29 acre site leased from the City of Forks. The operation is 75 kilometres west of our Port Angeles facility and is a strong strategic fit with that operation. The sawmill produces Hemlock, Douglas-Fir and Spruce products for domestic markets complemented with some export products.

Cedarprime

CEDARPRIME Inc. is located on leased premises in Sumas, Washington. The plant has a siding line, chop line, planing and finger-jointing equipment as well as access to on-site dry kilns enabling it to produce 20 million board feet of finger-jointed and cut-stock products for both North American and offshore markets.

U.S. Southeast*Baxley*

This sawmill in Baxley, Georgia was acquired on March 1, 2013 from Rayonier Inc. It operates on a two shift basis with a capacity of 175 million board feet annually. The mill produces Southern Yellow Pine lumber primarily in 2x4 through 2x12 products, and 4x4 timbers as market conditions warrant.

Eatonton

This sawmill in Eatonton, Georgia was acquired on March 1, 2013 from Rayonier Inc. It operates on an extended one shift basis with a capacity of 75 million board feet annually. The mill produces Southern Yellow Pine lumber primarily in 2x4 and 2x6 products.

Swainsboro

This sawmill in Swainsboro, Georgia was acquired on March 1, 2013 from Rayonier Inc. It operates on a two shift basis with a capacity of 125 million board feet annually. The mill produces Southern Yellow Pine lumber primarily in 2x4 and 2x6 products.

Thomaston

On July 1, 2013, the Company completed the acquisition of the Thomaston, Georgia sawmill from Keadle Lumber Enterprises, Inc. Currently, the sawmill operates on a one shift basis with production capacity of 80 million board feet annually. Interfor has plans to invest in additional kilns and infrastructure over the course of 2014 to increase production capacity to more than 160 million board feet, on a two shift basis.

U.S. Timber Supply*U.S. Pacific Northwest*

Timber supply in the U.S. Pacific Northwest is sourced from a broad distribution of forest land ownership (forest industrial lands; small private landowners; and State and Federal lands). These sources represent a long-term supply base from which mills purchase their timber supply. In 2013, about 67% of the log supply in the U.S. Pacific Northwest came from land that is owned by industrial and small private landowners, while the remainder was sourced from State, Federal and tribal lands.

Our timber supply requirements in Washington are weighted to Western Hemlock with lesser volumes of Douglas-Fir and Sitka Spruce. In Molalla, Douglas-Fir is the prominent species with smaller volumes of Western Hemlock and White Fir. Both of the Washington sawmills and Molalla depend on private industrial landowners and small private landowners for the majority of their supply. This timber is supplemented with State, Federal, and tribal volumes in the case of the Washington mills.

In Gilchrist, log purchases consist primarily of Lodgepole Pine, Ponderosa Pine and White Fir that are harvested from second growth forests and the thinning of young stands from surrounding National Forests. This volume is supplemented with purchases from industrial and non-industrial private land.

U.S. Southeast

Timber in the U.S. Southeast is sourced primarily from privately held timberlands with only minor volumes coming from publicly owned timberlands. Private timberland ownership includes non-industrial private owners, timber real estate investment trusts ("timber REITs") and various institutional investors such as pension funds, who are typically represented by a timberland investment management organization ("TIMO"). Both timber REITs and TIMOs are considered industrial timberland owners. Interfor's sawmills in Georgia purchase timber comprised exclusively of Southern Yellow Pine, originating from each of these sources.

For the Baxley, Swainsboro and Eatonton sawmills, Interfor has a services-for-fee contract under which Rayonier Inc.'s fibre procurement group manages timber procurement activities on behalf of Interfor. This contract, which terminates December 31, 2014 unless extended, was entered into when Interfor acquired the sawmills from Rayonier in March 2013. At the Thomaston sawmill, which was acquired from Keadle Lumber Enterprises, Inc. in July 2013, timber purchases are managed by Interfor employees.

The total 2014 log supply requirement for the mills in the U.S. is estimated to be supplied from the following sources:

Expected Sources of Timber 2014	U.S. Pacific Northwest	U.S. Southeast
State and federal lands	46%	1%
Industrial lands	47%	20%
Private lands	<u>7%</u>	<u>79%</u>
	<u>100%</u>	<u>100%</u>

SALES, MARKETING AND COMPETITIVE POSITION

The global markets for the Company's products are highly competitive and producers compete primarily on the basis of price. In addition, a majority of Interfor's lumber production is sold into markets where competitors have the same or larger capacity. Many of our competitors also have greater financial resources than Interfor and a number may be, in certain product lines, lower cost producers.

The following table shows our lumber sales by geographic area and total sales by product line for the past three years:

	Years ended December 31,		
	2013	2012	2011
	(thousands of dollars)		
Lumber			
— Canada	\$ 90,470	\$ 84,760	\$64,412
— U.S.	498,524	319,365	222,524
— Japan	105,590	87,609	78,423
— China	105,703	73,886	102,453
— Other export	38,675	31,353	30,995
Offshore transportation and handling	33,302	34,265	39,560
	872,264	631,238	538,367
Logs	136,633	113,902	108,413
Wood chips and other residuals	72,418	69,376	68,355
Ocean freight, contract services and other	23,907	34,680	43,110
Total sales	\$1,105,222	\$849,196	\$758,245

Lumber Sales

Like other commodities, the demand for lumber is cyclical. It is affected by factors such as interest rates, foreign currency exchange rates, freight rates, government tariffs and import policies, and demand for housing. However, in recent years, the residential repair and remodeling market in North America has become a significant consumer of lumber. This has lessened the impact of fluctuations in new housing starts.

In order to diminish the impact of rapid cyclical changes in any one market, we strategically target worldwide markets and offer a diverse range of products. Interfor also has a specific customer and product base in various countries, providing a diversified sales profile, and it is aggressively targeting China's rapidly growing wood frame construction market.

Product and market diversification is particularly important for B.C. Coastal producers where the variability inherent in the log resource produces a much wider spectrum of product sizes and quality than is the case in the B.C. Interior, the U.S. Pacific Northwest or the U.S. Southeast. A continuing priority for our Company is to develop products and markets that more fully realize the potential for higher grades, special dimensions and value-added items.

Lumber sales and marketing activities are organized into two sales groups to leverage global expertise: Export and North America. Interfor Japan Ltd., with an office in Tokyo, has developed niche markets and has increased sales directly to end-users. We also have an office in France to serve Continental Europe and Middle East markets and recently opened an office in China.

The primary market for our cedar lumber continues to be North America where markets are serviced through a combination of regional wholesale distributors and direct retail sales. Gains have been made, however, in diversifying cedar sales into offshore markets in Europe, China, Japan and Australia.

North American dimension and stud lumber produced in Canada and the U.S. Pacific Northwest is sold out of our office in Bellingham, Washington to leverage our market expertise and to provide a more diverse customer base for the Canadian mills in terms of geographic and market sectors.

Southern Yellow Pine lumber produced in Georgia mills is sold out of our office in Baxley, Georgia to leverage our regional knowledge of Southern Yellow Pine market segments and distribution channels.

Log Sales

We purchase and sell logs in order to obtain the appropriate size, grade and species of log to suit market conditions and each mill's cutting profile. We buy or trade logs through agreements and open market transactions and sell logs that are either unsuitable for cutting or in excess of our manufacturing requirements.

Wood Chips and Other Residuals Sales

As a by-product of lumber production, our sawmills produce wood chips and other residuals. Essentially all of our wood chips produced in B.C. are sold under short- and long-term contracts to pulp producers. In general, wood chips produced on the B.C. Coast are sold at prices related to current Northern Bleached Softwood Kraft ("NBSK") pulp prices, while the wood chips produced in the B.C. Interior are sold at current market prices for chips. Chips from our U.S. Pacific Northwest and U.S. Southeast operations are sold to pulp producers or fibre board manufacturers under short-term arrangements, with the exception of the Baxley sawmill which has a long-term contract with a pulp producer.

DISTRIBUTION

We use various modes of surface transportation to deliver our lumber products. Shipments to export markets are done by container and breakbulk vessels while shipments of lumber within North America are done by truck and rail. The majority of breakbulk shipments are carried by our wholly-owned subsidiary Seaboard International Shipping Company Limited (Barbados). Chips and logs are normally delivered by tug and barge or by truck. In Gilchrist, Oregon, and in Grand Forks, B.C. we own short line railroads that connect to Class 1 railroads for shipping lumber and chips.

HUMAN RESOURCES

In B.C., we directly employ approximately 1,034 people in our logging and manufacturing operations and corporate offices. The United Steel Workers ("USW") is the certified bargaining agent for approximately 521 of these people. The agreement with the USW for the B.C. Coast has an expiry date of June 15, 2014, while the B.C. Southern Interior USW agreement expires on June 30, 2013. The Canadian Marine Service Guild represents 23 employees, and their collective agreement expires September 30, 2014.

In the U.S., we employ approximately 962 employees in our sawmill and remanufacturing operations in Washington, Oregon, Georgia and in our office located in Bellingham, Washington.

THE ENVIRONMENT

Interfor is committed to responsible stewardship of the environment. We maintain an Environmental Management System (“EMS”) for all of our woodlands and manufacturing facilities. The EMS provides a structure for identifying, addressing and managing environmental issues. Audits are performed regularly in both the woodlands and manufacturing operations to verify its effectiveness.

Regulatory Compliance

Interfor operates in compliance with extensive provincial, state, federal or other laws and regulations that apply to most aspects of our business activities.

Forest Management Certification

Interfor has achieved the internationally recognized Sustainable Forestry Initiative (“SFI”) forest management certification for all of our B.C. woodlands operations. Interfor also has Forest Stewardship Council (“FSC”) certification on its tenures in the Mid-Coast as part of group certification for that area. Independent third party certification audits are conducted by KPMG Performance Registrar Inc.

Chain of Custody (CoC) and Responsible Purchasing

Interfor maintains Chain-of-Custody (“CoC”) certifications at certain mills that track certified logs coming from sustainably managed forests through the manufacturing process.

Coast Forest Conservation Initiative (CFCI)

Interfor is a member of the CFCI – a collaborative effort of five B.C. forest product businesses committed to finding new approaches to forest conservation and management in B.C.’s Central and North Coast. CFCI collaborates with the Rainforest Solution Project (a group of environmental organizations namely Forest Ethics, Greenpeace and the Sierra Club, B.C. Chapter) in a forum known as the Joint Solutions Project (“JSP”). JSP works with the B.C. Government and First Nations on strategic items related to the implementation of ecosystem based management (“EBM”). The joint work done by JSP is a major step towards fulfilling the landmark Great Bear Rainforest agreement.

First Nations

First Nations groups have claimed aboriginal title and rights over substantial portions of British Columbia. Interfor tenures overlap with the traditional territories of over 50 different First Nations groups. The Company notifies each First Nations group prior to development activities as part of the Forest Stewardship Plan preparation process.

Mountain Pine Beetle

The Mountain Pine Beetle (“MPB”) infestation has resulted in the mortality of a significant portion of the mature pine trees in the B.C. Interior. The greatest impact has been in the central interior region where there is a high percentage (over 60%) of Pine in the forest. Interfor operations are in the southern interior which have a much lower percentage of Pine (less than 30%) and are less affected by the MPB. Harvesting the dead Pine trees is a priority for the operations as part of a salvaging and recovery process. The longer term timber supply impacts of the MPB are not expected to have a significant impact on the Company’s operating areas.

Continual Improvement

Each year a formal Management Review of the Company's program and performance is completed as part of the process of continual improvement.

Additional information about our environmental work and third party certification is available on our website at www.interfor.com.

RESEARCH AND DEVELOPMENT

We contribute to and participate in industry research organizations that have made numerous technical developments beneficial to us in areas such as sawing technology, drying techniques and anti-sap stain applications. We also are committed to applied research and development in the areas of environment, health and safety, forest management, and product and market development. We also conduct product and market research on our own in Canada and the U.S.

RISK FACTORS

Discussion of risk factors relating to the Company and its operations is included under the heading Risks and Uncertainties within Management's Discussion and Analysis prepared as of February 13, 2014, which is incorporated by reference herein and available on SEDAR at www.sedar.com.

CAPITAL STRUCTURE

The authorized share structure of the Company consists of:

- 100,000,000 Class A Subordinate Voting shares without par value ("Subordinate Voting Shares");
- 1,700,000 Class B Common shares without par value ("Multiple Voting Shares"); and
- 5,000,000 Preference shares without par value issuable in series with such special rights and restrictions as the directors of the Company may determine before issue thereof ("Preference Shares").

On August 23, 2013, Interfor's controlling shareholder, Sauder Industries Limited, exercised its right under the Company's Articles to exchange all of its Multiple Voting Shares for Subordinate Voting Shares (the "Exchange"). As a result of the Exchange all of the remaining Multiple Voting Shares automatically converted into Subordinate Voting Shares (the "Conversion").

As at February 13, 2014 there were 63,050,455 Subordinate Voting Shares outstanding. There were no Preference Shares or Multiple Voting Shares outstanding.

The following is a summary of the material provisions of the authorized share capital of the Company.

Subordinate Voting Shares

The holders of Subordinate Voting Shares are entitled to non-cumulative preferential dividends of 13 1/3 cents per annum for each share in priority to any dividends paid on the Multiple Voting Shares and to further participate, share for share with the Multiple Voting Shares, in any dividends paid on the Subordinate Voting Shares and Multiple Voting Shares for any fiscal year after 13 1/3 cents per share has been paid or set aside for payment on

the Subordinate Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote for each share and the holders of the Subordinate Voting Shares are entitled, as a class, to elect one member of the board of directors and if there are no Multiple Voting Shares outstanding, are entitled to elect the entire board of directors except in certain circumstances where the holders of Preference Shares are entitled to elect two directors. Holders of Subordinate Voting Shares have the right to attend, in person or by proxy, all meetings of the shareholders of the Company, and to speak at such meetings to the same extent that holders of Multiple Voting Shares are so entitled. As a result of the Exchange and the Conversion, the holders of the Subordinate Voting Shares currently represent 100% of the aggregate voting rights attached to all of the outstanding shares of the Company.

The provisions relating to the Subordinate Voting Shares may not be varied unless sanctioned by a special resolution of the holders of the Subordinate Voting Shares and the Multiple Voting Shares voting together and by separate resolutions of the respective holders of the Subordinate Voting Shares and the Multiple Voting Shares, the special resolution and separate resolutions in each case requiring a majority of three-fourths of the votes cast.

In the event of liquidation, dissolution or winding-up of Interfor or any other distribution of its assets, holders of Subordinate Voting Shares are entitled to declared and unpaid dividends prior to the holders of the Multiple Voting Shares and thereafter to participate, share for share, with the Multiple Voting Shares, subject to all rights of the holders of Preference Shares.

Multiple Voting Shares

The holders of Multiple Voting Shares are entitled to participate, share for share, with the Subordinate Voting Shares, in any dividends paid for any fiscal year after 13 1/3 cents has been provided for payment on the Subordinate Voting Shares. The holders of Multiple Voting Shares are entitled to ten votes for each share held and the holders of Multiple Voting Shares are entitled, as a class, to elect all members of the board of directors of Interfor, except one member to be elected by the holders of the Subordinate Voting Shares and, in certain circumstances, two directors to be elected by the holders of Preference Shares.

In the event of liquidation, dissolution, or winding-up of Interfor or any distribution of its assets, holders of Multiple Voting Shares are entitled after payment of any declared or unpaid dividends on the Subordinate Voting Shares to participate, share for share, with the Subordinate Voting Shares, subject to all rights of the holders of Preference Shares.

Any holder of Multiple Voting Shares is entitled at any time to exchange his Multiple Voting Shares for Subordinate Voting Shares on a share for share basis without adjustment for any unpaid dividends.

The provisions relating to the Multiple Voting Shares may not be varied unless sanctioned by a special resolution of the holders of Subordinate Voting Shares and the Multiple Voting Shares voting together and by separate resolutions of the respective holders of the Subordinate Voting Shares and the Multiple Voting Shares, the special resolution and separate resolutions in each case requiring a majority of three-fourths of the votes cast.

In the event of any subdivision, consolidation, or conversion of either Subordinate Voting Shares or Multiple Voting Shares, an appropriate adjustment is to be made in the rights and conditions attaching to the Subordinate Voting Shares and the Multiple Voting Shares to preserve the benefits conferred on the holders of each class.

Rights on Take-Over Bids and Conversion of Multiple Voting Shares

The authorized share capital of the Company includes Multiple Voting Shares which have the right in the circumstances described below to be converted, at the option of the holder, into Subordinate Voting Shares and which automatically convert into Subordinate Voting Shares in certain circumstances, including in the event of certain take-over bids or acquisition transactions.

The rights attached to the Multiple Voting Shares provide that any transfer:

- a. by any of W.L. Sauder's executors, administrators, or other trustee or legal representative with respect to his personal estate, members of his immediate family, their descendants and controlled companies (collectively the "Controlling Shareholder Group") to any person other than another member of the Controlling Shareholder Group or a person (the "Qualified Purchaser") who is acquiring a majority of the outstanding Multiple Voting Shares and who makes an offer to purchase all outstanding Subordinate Voting Shares, Preference Shares, and Multiple Voting Shares at an equivalent price; or
- b. by a Qualified Purchaser to any person other than another Qualified Purchaser, will result in the automatic conversion of the Multiple Voting Shares into Subordinate Voting Shares.

The Multiple Voting Shares will be automatically converted into Subordinate Voting Shares if:

- a. the Controlling Shareholder Group or a Qualified Purchaser ceases to beneficially own more than 50% of the issued and outstanding Multiple Voting Shares; or
- b. the Controlling Shareholder Group or a Qualified Purchaser ceases to beneficially own equity shares carrying at least 9.2 million votes, subject to adjustments upon: (i) the subdivision, consolidation, or reclassification of any outstanding equity shares, or (ii) the issue of equity shares by way of a stock dividend other than an ordinary course stock dividend.

As a result of the Exchange and the Conversion, as of August 23, 2013 there are no Multiple Voting Shares outstanding.

Preference Shares

The Preference Shares of each series rank on a parity with the Preference Shares of every other series, and are entitled to preference over the Subordinate Voting Shares and the Multiple Voting Shares and over any other shares ranking junior to the Preference Shares, with respect to payment of dividends and the distribution of assets of Interfor in the event of liquidation, dissolution, or winding-up of Interfor.

MARKET FOR SECURITIES OF THE COMPANY

The Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol IFP.A. The following table sets out the market price ranges and trading volumes for the Subordinate Voting Shares on the Toronto Stock Exchange for each month during 2013 (January 1, 2013 through December 31, 2013).

Toronto Stock Exchange (TSX) 2013 Trading Volumes Ticker: IFP.A			
Month	\$ High	\$ Low	Volume
January	9.25	7.82	4,973,682
February	9.46	8.73	2,584,615
March	10.70	9.15	5,639,794
April	10.61	9.25	8,434,085
May	10.95	9.30	5,651,200
June	10.50	9.32	3,252,924
July	11.75	10.16	2,834,877
August	12.24	10.65	2,856,273
September	12.55	10.71	4,364,804
October	11.90	10.71	2,939,609
November	12.50	11.33	4,706,672
December	13.92	12.21	3,702,236

TRANSFER AGENTS

The transfer agent for our Subordinate Voting Shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

The Company or its subsidiary entered into the following material contracts during 2013:

1. Asset Purchase Agreement, dated January 21, 2013, between Interfor U.S. Inc. and Rayonier Wood Products, LLC for the acquisition of Rayonier's three (3) sawmills located in central Georgia for \$80 million, inclusive of working capital. The transaction was completed on March 1, 2013.
2. Interfor 2013 Amended and Restated Credit Agreement, dated February 27, 2013, between the Company and its syndicate of lenders to increase its credit facilities by \$50 million to bring the total available to \$215 million. In addition, the maturity dates of these facilities were extended from July 2015 to February 2017.
3. Asset Purchase Agreement, dated June 14, 2013, between Interfor U.S. Inc. and Keadle Lumber Enterprises, Inc. and Keadle Land Company, LLLP for the acquisition of Keadle's sawmill operations in Thomaston, Georgia for US\$39.1 million, of which US\$32.1 million was paid on closing. Payment of US\$7.0 million is contingent upon receipt of an upgrade to the air permit which would allow the Company to operate a second shift. The transaction was completed on July 1, 2013.
4. Note Purchase and Private Shelf Agreement, dated June 26, 2013, between the Company and the Prudential Capital Group. The US\$50 million senior secured notes carry an annual interest rate of 4.33% and have a final maturity of June 26, 2023.

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5. Underwriting Agreement, dated September 17, 2013, as amended on September 23, 2013, between the Company and RBC Dominion Securities Inc., ("RBC"), Raymond James Ltd., ("RJ") (RBC and RJ are together the "Co-Lead Underwriters"), BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc. (collectively, the "Underwriters") in respect of the issuance and sale of 6,250,000 Class A Subordinate Voting shares without par value of the Company to the Underwriters on the terms and conditions described in the agreement.

All of these contracts have been posted on www.sedar.com.

DIRECTORS AND OFFICERS

Directors of the Company

The following table sets out the Company's directors as of February 13, 2014, their respective municipalities of residence, principal occupations within the past five years and the period during which each director has served as a director.

Name and Municipality of Residence	Director Since	Principal Occupations	From	To
DUNCAN K. DAVIES Vancouver, B.C., Canada	November 1998	President and Chief Executive Officer International Forest Products Limited	2000	Present
PETER M. LYNCH Toronto, ON, Canada	October 2006	President & CEO of Dieffenbacher USA, Inc., a manufacturer and designer of press and forming systems	2013	Present
		Independent Business Consultant	2010	2013
		Executive Vice President and Director Grant Forest Products Inc. (and its predecessor), a producer of OSB and engineered wood products	1993	2010
GORDON. H. MacDOUGALL West Vancouver, B.C., Canada	February 2007	Vice Chairman, Connor, Clark & Lunn Investment Management Ltd., an asset management firm	2007	Present
J. EDDIE McMILLAN Pensacola, Florida, U.S.	October 2006	Independent Business Consultant	2002	Present
		Executive Vice President – Wood Products Group Willamette Industries, Inc., a forest products company	1998	2002
ANDREW K. MITTAG Calgary, AB, Canada	October 2012	Senior Vice President, Agrium Inc. and President, Agrium Advanced Technologies, a major retail supplier of agricultural products and services, a global wholesale producer and marketer of major agricultural nutrients and industrial products	2005	Present
E. LAWRENCE SAUDER Vancouver, B.C., Canada	April 1984	Chief Executive Officer and Chairman, Sauder Industries Limited, a manufacturer and distributor of building products	2010	Present
		Chairman, Hardwoods Distribution Inc., a distributor of wood products	2008	Present
L. SCOTT THOMSON Vancouver, B.C., Canada	October 2012	President and Chief Executive Officer, Finning International Inc., a distributor of Caterpillar products and support services	2013	Present
		Executive Vice-President, Finance and Chief Financial Officer, Talisman Energy Inc., a global upstream oil and gas company	2008	2013
DOUGLAS W.G. WHITEHEAD North Vancouver, B.C., Canada	April 2007	Corporate Director	2008	Present
		President and Chief Executive Officer Finning International Inc., a distributor of Caterpillar products and support services	2000	2008

To our knowledge, only one of the Company's directors has in the last 10 years been an officer or director of a company that, while the person was acting in that capacity, was subject to bankruptcy or similar proceedings or securities regulatory sanctions described in National Instrument 51-102 *Continuous Disclosure Obligations*. From 1993 to 2010, Mr. Lynch was an executive director of Grant Forest Products Inc. ("Grant Forest"). On June 25, 2009, Grant Forest filed and obtained protection under the Companies' Creditors Arrangement Act in order to restructure its business affairs.

The term of office for all current directors will end on the day of the next Annual General Meeting of the Company's shareholders. The next Annual General Meeting is scheduled for May 6, 2014.

Committees of the Board

The table below lists the committees of Interfor's board of directors and their members on February 13, 2014:

Committees	Members
Audit	Douglas Whitehead (Chair) Peter Lynch Scott Thomson Andrew Mittag
Corporate Governance & Nominating Committee	Eddie McMillan (Chair) Peter Lynch Gordon MacDougall Douglas Whitehead
Management Resources & Compensation Committee	Gordon MacDougall (Chair) Eddie McMillan Andrew Mittag Lawrence Sauder
Environment & Safety Committee	Peter Lynch (Chair) Lawrence Sauder Scott Thomson

Officers of the Company

The following table sets out the Company's officers as of February 13, 2014, their respective municipalities of residence and their principal occupations for at least the last five years:

Name and Municipality of Residence	Positions Held	From	To
DUNCAN K. DAVIES Vancouver, B.C., Canada	President & Chief Executive Officer International Forest Products Limited	2000	Present
JOHN A. HORNING West Vancouver, B.C., Canada	Senior Vice President & Chief Financial Officer International Forest Products Limited	2002	Present
J. STEVEN HOFER Bellingham, Washington, U.S.	Vice President, Sales & Marketing International Forest Products Limited	2011	Present
	General Manager, Sales & Marketing Interfor U.S. Inc. (formerly Interfor Pacific Inc.)	2004	2011
JOSEPH A. RODGERS Corrigan, TX, U.S.	Vice President, U.S. Operations International Forest Products Limited	2013	Present
	Vice President, Operations – Solid Wood Temple-Inland Building Products	2011	2013
	Operations Manager – Solid Wood Temple-Inland Building Products	2009	2011
	Vice President, Integrated Planning Temple-Inland Building Products	2007	2009
MARTIN L. JURAVSKY Toronto, ON, Canada	Vice President, Corporate Development and Strategy International Forest Products Limited	2013	Present
	Business Consultant	2012	2013
	Vice President, Corporate Development Woodland Biofuels Inc.	2011	2012
	Managing Director Macquarie Capital Markets Canada Ltd.	2009	2011
IAN M. FILLINGER Kamloops, B.C., Canada	Managing Director, Head of Mergers & Acquisitions Dundee Securities Corporation	2007	2009
	Vice President, Canadian Operations International Forest Products Limited	2013	Present
	Senior General Manager International Forest Products Limited	2013	2013
	General Manager, Adams Lake & Coastal Manufacturing International Forest Products Limited	2012	2013
MARK W. STOCK North Vancouver, B.C., Canada	General Manager, Adams Lake Division International Forest Products Limited	2005	2012
	Vice President, Human Resources International Forest Products Limited	2012	Present
OTTO F. SCHULTE Black Creek, B.C., Canada	Vice President, Global Human Resources Tree Island Industries Ltd.	2007	2012
	Vice President, Strategic Forestry Initiatives International Forest Products Limited	2013	Present
	Vice President, Coastal Operations International Forest Products Limited	2011	2013
	Vice President, Coastal Woodlands International Forest Products Limited	2000	2011

RICHARD J. SLACO Delta, B.C., Canada	Vice President & Chief Forester International Forest Products Limited	2002	Present
MARILYN LOEWEN MAURITZ Vancouver, B.C., Canada	General Counsel & Corporate Secretary International Forest Products Limited	2012	Present
	General Counsel International Forest Products Limited	2007	2012

SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As at December 31, 2013, the directors and officers of the Company as a group owned, directly or indirectly, or exercised control of or direction over 873,594 Subordinate Voting Shares representing approximately 1.39% of the outstanding Subordinate Voting Shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since the commencement of our most recently completed financial year, and for the three most recently completed financial years, no director or executive officer of the Company, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Company's voting securities or any associate or affiliate of such persons, has had any material interest in any transaction involving the Company.

LEGAL PROCEEDINGS

We are not a party to, and our property is not the subject of, any material legal proceedings which are currently in place or which we know to be contemplated.

INTEREST OF EXPERTS

KPMG LLP are the external auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of Institute of Chartered Accountants of British Columbia and the applicable rules and regulations thereunder.

AUDIT COMMITTEE INFORMATION

The purpose of the Company's Audit Committee (the "Committee") is to assist the board of directors in fulfilling its oversight responsibility relating to:

- the integrity of the Company's financial statements;
- the financial reporting process;
- the systems of internal accounting and financial controls;
- the professional qualifications and independence of the external auditors;
- the performance of the external auditors, risk management processes;
- financial plans;
- pension plans; and
- compliance by the Company with ethics and legal and regulatory requirements.

The Committee's Terms of Reference, attached as Appendix "A" to this Annual Information Form, sets out its responsibilities and duties.

The Committee met four times in 2013 in conjunction with regularly scheduled Board meetings.

Members' Financial Literacy, Expertise and Simultaneous Service

The board of directors has determined that the members of the Audit Committee during 2013 were, and all current members of the Audit Committee are literate and independent as defined in National Instrument 52-110 – Audit committees. The table below indicates the relevant education and experience of all the Audit Committee members during 2013 and the current members.

Relevant Education and Experience

Director	Past Occupation
<p>Douglas W.G. Whitehead</p> <p>Chair of the Audit Committee since May 2012</p>	<p>Mr. Whitehead is a Corporate Director. From 2000 to May 2008, he was the President and Chief Executive Officer of Finning International Inc. ("Finning"). Prior to joining Finning, Mr. Whitehead held a number of senior executive positions with Fletcher Challenge Canada, including President and Chief Executive Officer, Senior Vice President and Chief Operating Officer and Vice President of the Crown Packaging Division. Mr. Whitehead is currently the director and Chair of Finning and a director of both Belcorp Industries Inc. and Kal Tire. Previously, he served as director of Inmet Mining Corporation, Ballard Power Systems Inc., Terasen Inc., Fletcher Challenge Canada, Finlay Forest Industries and Timberwest Forest Limited. He is also a member of the Board of Directors of Vancouver General Hospital and University of British Columbia Hospital Foundation. Mr. Whitehead holds a Bachelor of Applied Science (Engineering) from the University of British Columbia and a Masters of Business Administration from the University of Western Ontario.</p>
<p>Peter M. Lynch</p> <p>Member since April 2009</p>	<p>Mr. Lynch is currently President & CEO of Dieffenbacher USA, Inc. ("Dieffenbacher"). Prior thereto he provided consulting services to Dieffenbacher. From 1993 to 2010, he was an Executive Vice President and director of Grant Forest Products Inc. (and its predecessor), a producer of OSB and engineered wood products. Mr. Lynch holds a LL.B from Osgoode Law School and is a member of the Law Society of Upper Canada, the Canadian Bar Association and the Ontario Bar Association.</p>
<p>Harold C. Kalke</p> <p>Member from April 2012 until May 2013</p>	<p>Mr. Kalke is the founder and President of Kalico Developments Ltd., a real estate development and management company, since 1971. He has founded and operated several other companies in the real estate development business and oil and gas sector. Mr. Kalke is a past Chairman of the Board of Governors of the University of British Columbia. Mr. Kalke holds a Bachelor of Science (Engineering) and a Masters of Business of Administration from the University of Western Ontario.</p>
<p>Andrew K. Mittag</p> <p>Member since May 2013</p>	<p>Mr. Mittag is Senior Vice President, Agrium Inc. and President, Agrium Advanced Technologies, a major retail supplier of agricultural products and services and a global wholesale producer and marketer of major agricultural nutrients and industrial products. In addition to being part of Agrium's senior leadership team, he is responsible for Agrium's enhanced efficiency fertilizer business and the development of that market internationally, especially China. Prior to joining Agrium in 2005, he was Co-founder, President and Chief Financial Officer of Rockland Capital Partners and held senior leadership roles at TXU Corp. and Koch Industries Inc. Mr. Mittag is a director of Lyndhurst Estate Homeowners Association. Previously, he was a director of Hanfeng Evergreen Inc., Alida LLC and Floralla LLC. Mr. Mittag holds a Bachelor of Arts (Economics and German) from Hamilton College, a Masters of Business Administration (Accounting and Finance) from Columbia University and ICD.D designation from the Institute of Corporate Directors.</p>
<p>John P. Sullivan</p> <p>Member from April 2012 until May 2013</p>	<p>Mr. Sullivan is a Corporate Director. From 2001 to 2003, he was Vice President of the Company. He joined the Company following the acquisition of Primex Forest Products Ltd. ("Primex"), where he was Vice President, Corporate Development from 1987 to 2001. Prior to 1987, he held various management positions at Primex. Over the past years, he has served on many boards including Primex, as well as several federal crown and private companies.</p>
<p>L. Scott Thomson</p> <p>Member since November 2012</p>	<p>Mr. Thomson is currently President and CEO of Finning International Inc., the world's largest Caterpillar equipment dealer. Previously Mr. Thomson was Chief Financial Officer of Talisman Energy Inc. Prior to joining Talisman, Mr. Thomson was Executive Vice President, Corporate Development; Vice President, Head of Mergers and Acquisitions, and Vice President, Corporate Strategy at Bell Canada Enterprises Inc. Mr. Thomson holds a Bachelor of Arts from Queen's University and a Masters of Business Administration from the University of Chicago.</p>

AUDIT FEES

The Committee annually recommends the appointment of the Company's external auditors and approves the annual audit plan and compensation of the external auditors for all audit, audit related and non-audit services. In the case of non-audit services, the services and compensation is approved by the Committee before the services commence.

KPMG LLP, Chartered Accountants, Vancouver, are the independent auditors of the Company. Fees paid or accrued to KPMG LLP for audit and other services for the years ended December 31, 2013 and December 31, 2012, were as follows:

	2013	2012
Audit fees	\$477,000	\$423,000
Fees billed for professional services rendered.		
Audit-related fees		
Audit-related fees consist principally of fees for professional services rendered with respect to audits of a defined benefit pension plan, subsidiary companies, bought deal financing involvement and consultation related to accounting issues.	269,100	62,500
Tax fees		
Tax fees consist of fees for tax compliance services, professional services related to U.S. cross border transfer pricing and sales tax and tax credit contingency fees which are based on percentage of recoveries.	24,376	52,837
Other fees		
Assistance with defining business requirements for a new ERP system selection, a related process re-design and certifications (2012); assistance with ERP system design and implementation, forestry certification and general IT control documentation (2013).	<u>168,978</u>	<u>174,800</u>
TOTAL	\$939,454	\$713,137

CODE OF ETHICS

We have adopted a code of ethics that applies to our directors, officers and employees. A copy of the code, entitled "Code of Conduct", can be found on our website at www.interfor.com.

ADDITIONAL INFORMATION

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular.

Additional financial information about the Company is provided in the Company's audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2013.

Copies of the documents referred to above are available on the SEDAR website at www.sedar.com and may also be obtained upon request from:

International Forest Products Limited
 General Counsel & Corporate Secretary
 3500-1055 Dunsmuir Street
 Vancouver, British Columbia
 Canada, V7X 1H7
 Telephone: 604 689 6800 / Facsimile: 604 689 6825
 E-mail: corporatesecretary@interfor.com

Additional information relating to the Company may be found on the SEDAR website at www.sedar.com.

Appendix "A"

**AUDIT COMMITTEE
Terms of Reference****PURPOSE**

The Audit Committee has been established by the Board and under powers delegated to it by the Board is mandated to oversee the accounting and financial reporting processes of the Company and audits of its financial statements in accordance with the Board's objectives.

COMPOSITION AND TERM OF OFFICE

1. The Audit Committee shall consist of four or more Directors.
2. All members of the Audit Committee shall be independent within the meaning of *Multilateral Instrument 52-110-Audit Committees*.
3. All members must be financially literate or become financially literate within a reasonable period following appointment and at least one member should have accounting or related expertise.
4. The Chairman of the Audit Committee along with other Audit Committee members will be appointed annually by the Board following the AGM to hold office until the next AGM, unless the member becomes unable to serve or is removed by the Board. A casual vacancy may be filled and additional members may be appointed at any time by the Board to hold office until the next AGM.
5. A quorum shall consist of a simple majority.

DUTIES AND RESPONSIBILITIES

The Audit Committee shall perform the following functions, as well as any other functions specifically authorized by the Board:

General

1. Schedule regular meetings and meet, at a minimum, four times per year. Extraordinary meetings may be called by any member of the Audit Committee or at the request of the Chairman of the Board.
2. Appoint a Secretary who shall record the proceedings of the Audit Committee's meetings.
3. Report to the Board activities and recommendations, if any, requiring Board approval.

Financial Disclosure, Risk Management and Internal Controls

4. Review the following documents before the public disclosure of same by the Company, and, if appropriate, recommend approval by the Board of the Company's:
 - (a) annual and quarterly financial statements;
 - (b) Management's Discussion and Analysis; and
 - (c) annual and interim earnings press releases.

The review will involve direct discussions with Management and the Company's external auditor (the "Auditor"), including an opportunity for an in-camera meeting with the Auditor independent of Management.

Review and approve the disclosures required by applicable securities laws to be included in the Company's Annual Information Form and Management Information Circular relating to the Audit Committee and audit and non-audit services and fees.

5. Review the process for certification of the interim and annual financial statements by the CEO and Chief Financial Officer ("CFO") and the certifications made by the CEO and CFO.
6. Review all news releases announcing financial results, containing financial information based on unreleased financial results or non-GAAP financial measures or providing earnings guidance, forward-looking financial information and future-oriented financial information or financial outlooks before the public disclosure of same by the Company.
7. Review financial information contained in any prospectus, take-over bid circular, issuer bid circular, rights offering circular and any other document that the Audit Committee is to review before the public disclosure of same by the Company, and, if appropriate, recommend approval by the Board.
8. Review matters related to internal controls over financial reporting of the Company and ensure the Company has adequate procedures in place in respect thereof. Ensure that the necessary measures are taken to follow up suggestions from the Auditor's reports.
9. Review the principal risks of the Company and ensure that an effective risk management strategy is in place.
10. Review the Company's derivatives policies and activities, including details of exposures to banks and other counterparties.

External Auditor

11. Review and recommend to the Board the appointment of the Auditor to be nominated for the purposes of preparing or issuing an Auditor's report and performing other audit, review or attest services for the Company.
12. Establish the mandate of the Auditor, including the annual engagement, audit plan, audit scope and compensation for the audit services, subject to shareholder approval.
13. Oversee the activities of the Auditor. The Auditor shall report directly to the Audit Committee.
14. Directly communicate and meet with the Auditor, with and without Management present, to discuss the results of their examinations.
15. Review the independence of the Auditor, any rotation of the partners assigned to the audit in accordance with applicable laws and professional standards, the internal quality control findings of the Auditor's firm and peer reviews.
16. Review the performance of the Auditor, including the relationship between the Auditor and Management and the evaluation of the lead partner of the Auditor.
17. Resolve disagreements between Management and the Auditor regarding financial reporting.
18. Review material written communications between the Auditor and Management.

Non-Audit Services

19. Pre-approve non-audit services. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services. The pre-approval of non-audit services by any member to whom authority has been delegated shall be presented to the Committee at its first scheduled meeting following such pre-approval.

Company Policies

20. Satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.
21. Establish and periodically review the policies and procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by the employees of the Company regarding questionable accounting or auditing matters.
22. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the former and present Auditor.

Insurance

23. Review the Company's insurance programs, including the Company's directors' and officers' insurance coverage, and make recommendations for their renewal or replacement.

AUTHORITY

1. The Audit Committee is authorized to engage any outside advisor it deems necessary to carry out its duties and responsibilities and to arrange payment of the advisor's compensation by the Company.
 2. The Audit Committee may, at the request of the Board or at its own initiative, investigate such other matters as it considers appropriate in furtherance of the Audit Committee's purpose.
-

GLOSSARY

Unless otherwise noted, all financial references in this Annual Report are in Canadian dollars.

“Adjusted EBITDA” EBITDA excluding long term incentive compensation and other income (expense).

“Allowable Annual Cut (AAC)” The average annual volume of timber which the holder of a licence from the Province of British Columbia may harvest on Crown land under the licence in a five-year control period.

“Bone Dry Unit (BDU)” A unit of measurement for wood chips and other sawmill by-products, being equal to 2,400 pounds.

“Cash flow from operations” Cash flow provided by operating activities before considering changes in operating working capital.

“Custom cutting” An arrangement under which a mill contracts to cut logs owned by a customer into products of specifications defined by the customer.

“Crown” Administrative agency of the provincial government of British Columbia

“EBITDA” Earnings before finance costs, income taxes, depreciation, depletion, amortization, restructuring costs, asset write-downs and other costs, and other foreign exchange gains (losses).

“Forest Licence” Replaceable, volume-based timber cutting rights for a specific volume of Crown timber within a Timber Supply area.

“Invested Capital” The total of Net debt and shareholders' equity.

“m³” A measure of one cubic metre of solid wood, British Columbia metric scale, as determined under the *Forest Act*, equal to 35.3 cubic feet of solid wood.

“mfbm” or **“Mbf”** One thousand foot board measure equal to one thousand square feet of lumber, one inch thick.

“Net debt” The total of long term debt and bank indebtedness, less cash and cash equivalents.

“Pre-tax return on total assets” Earnings (loss) before income taxes, restructuring costs, asset write-downs and other costs, other foreign exchange gains (losses) and other income (expense), divided by period-end total assets.

“Silviculture” The art and science of controlling the establishment, growth, composition, health and quality of forests.

“Stumpage” A charge assessed by the provincial government on all Crown timber harvested.

“Sustained yield (sustainable log supply)” The yield that a forest area can produce on an ongoing basis without impairment of the long-term productivity of the land.

“Timber Licence” Non-replaceable, area based, Crown timber cutting rights.

“Tree Farm Licence” A renewable 25-year licence to manage a forest area to yield an annual harvest on a sustainable basis.

“Value-added product” A commodity or other product that has been further processed to increase financial value.

“Volumetric unit” A unit of measurement for wood chips and other sawmill by-products, being equal to 200 cubic feet. A volumetric unit represents between 60% and 85% of the chips in a Bone Dry Unit, depending on the species.

“Whitewood” Includes the Coastal species Hemlock, Balsam Fir, Douglas-Fir and Spruce; the term whitewood is used on British Columbia Coast to differentiate the above species from Western Red Cedar and Yellow Cedar.

DIRECTORS

Duncan K. Davies

Vancouver, B.C., Canada

Peter M. Lynch

Toronto, ON, Canada

Gordon H. MacDougall

West Vancouver, B.C., Canada

J. Eddie McMillan

Pensacola, FL, U.S.

Andrew K. Mittag

Calgary, AB, Canada

E. Lawrence Sauder (Chair)

Vancouver, B.C., Canada

L. Scott Thomson

Vancouver, B.C., Canada

Douglas W.G. Whitehead

North Vancouver, B.C., Canada

OFFICERS

Duncan K. Davies

President and Chief Executive Officer

John A. Horning

Senior Vice President & Chief Financial Officer

J. Steven Hofer

Vice President, Sales & Marketing

Joseph A. Rodgers

Vice President, U.S. Operations

Martin L. Juravsky

Vice President, Corporate Development & Strategy

Ian M. Fillinger

Vice President, Canadian Operations

Mark W. Stock

Vice President, Human Resources

Otto F. Schulte

Vice President, Strategic Forestry Initiatives

Richard J. Slaco

Vice President and Chief Forester

Marilyn Loewen Mauritz

General Counsel & Corporate Secretary

CORPORATE INFORMATION

Stock Exchange Class A Shares listed on The Toronto Stock Exchange Symbol: IFP.A	Auditors KPMG LLP, Vancouver, BC	Transfer Agent Computershare Investor Services Inc. Vancouver, BC and Toronto, ON
Media Contact Karen Brandt, Director, Public Affairs & Corporate Communications Office: 604-689-6866 karen.brandt@interfor.com	Corporate Office Tel: (604) 689-6800 Fax: (604) 688-0313 P.O. Box 49114 3500-1055 Dunsmuir Street Vancouver, BC V7X 1H7	

OPERATIONS AND LOCATIONS

Acorn Division (Sawmill) Tel: (604) 581-0494 Fax: (604) 581-5757 9355 Alaska Way Delta, BC V4C 4R7	Adams Lake Division (Sawmill and Woodlands) Tel: (250) 679-3234 Fax: (250) 679-3545 9200 Holding Road Chase, BC V0E 1M2	Baxley Division (Sawmill) Tel: (912) 367-3671 Fax: (912) 367-1500 1830 Golden Isles East Baxley, GA 31513
Beaver Division (Sawmill) Tel: (360) 327-3377 Fax: (360) 327-3563 P.O. Box 38 200673 Highway 101 West Beaver, WA 98305	Beaver Division (Planermill) Tel: (360) 374-4374 Fax: (360) 374-4331 P.O. Box 2299 143 Sitkum-Solduc Road Forks, WA 98331	Castlegar Division (Sawmill) Tel: (250) 365-4400 Fax: (604) 422-3252 P.O. Box 3728 2705 Arrow Lakes Drive Castlegar, BC V1N 3W4
Castlegar Division (Woodlands) Tel: (250) 265-3741 Fax: (604) 422-3251 P.O. Box 2000 442 Highway 6 West Nakusp, BC V0G 1R0	CEDARPRIME INC. A Subsidiary of International Forest Products Limited (Remanufacturing) Tel: (360) 988-2120 Fax: (360) 988-2126 601C West Front Street Sumas, WA 98295	Coastal Woodlands Division Tel: (250) 286-1881 Fax: (250) 286-3412 1250A Ironwood Street Campbell River, BC V9W 6H5
Eatonton Division (Sawmill) Tel: (706) 485-4271 Fax: (706) 485-3879 370 Dennis Station Road SW Eatonton, GA 31024	Gilchrist Division (Sawmill) Tel: (541) 433-2222 Fax: (541) 433-9581 P.O. Box 638 #1 Sawmill Road Gilchrist, OR 97737	Grand Forks Division (Sawmill and Woodlands) Tel: (250) 443-2400 Fax: (604) 422-3253 P.O. Box 39 570 68 th Ave. Grand Forks, BC V0H 1H0
Hammond Division (Sawmill) Tel: (604) 465-5401 Fax: (604) 422-3221 20580 Maple Crescent Maple Ridge, BC V2X 1B1	Molalla Division (Sawmill) Tel: (503) 829-9131 Fax: (503) 829-5481 15555 S. Hwy. 211 Molalla, OR 97038	Port Angeles Division (Sawmill) Tel: (360) 457-6266 Fax: (360) 457-1486 243701 Highway 101 West Port Angeles, WA 98363
Swainsboro Division (Sawmill) Tel: (912) 562-4441 Fax: (912) 562-3621 8796 Highway 297 Swainsboro, GA 30401	Thomaston Division (Sawmill) Tel: (706) 647-8981 Fax: (706) 647-3534 75 Ben Hill Road Thomaston, GA 30286	

SALES AND MARKETING

<p>North America – Cedar Tel: (604) 422-3470 Fax: (604) 422-3244 600 - 2700 Production Way Burnaby, BC V5A 4X1</p>	<p>North America – Southern Yellow Pine Tel: (912) 367-1509 Fax: (912) 367-1500 1830 Golden Isles East Baxley, GA 31513</p>	<p>North America - Whitewood Tel: (360) 788-2200 Fax: (360) 788-2210 2211 Rimland Drive, Suite 220 Bellingham, WA 98226</p>
<p>China Tel: +86-21-6333-6268 Fax: +86-21-6333-6290 Unit 1007, Tower No. 1 No. 268 Zhongshan South Road Shanghai, 200010, China</p>	<p>Japan Tel: 03-5641-2351 Fax: 03-5641-2383 Kasahara Bldg. 6F, 1-7-7 Nihonbashi, Ningyocho, Chuo-ku Tokyo, Japan 103 - 0013</p>	<p>Europe Tel: +33-2-40-32-05-25 Fax: +33-2-40-32-02-25 ZI Cheviré 7 rue de l'Houmaille 44340 BOUGUENAIS France</p>
<p>Export – Whitewood & Cedar Sales Tel: (604) 422-3468 Fax: (604) 422-3250 600-2700 Production Way Burnaby, BC V5A 4X1</p>		

