



CONIFEX

Conifex Timber Inc.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING
AND MANAGEMENT INFORMATION CIRCULAR**

Date and Time: June 20, 2017 at 11:00 a.m. (Vancouver time)

Place: Strathcona Room
Four Seasons Hotel
791 West Georgia Street
Vancouver, British Columbia
Canada



Our primary business includes timber harvesting, reforestation, forest management, sawmilling logs into lumber and wood chips, and value added lumber finishing and distribution. Our lumber products are sold in the United States, Chinese, Canadian and Japanese markets. We also own and operate a 36 megawatt biomass power generation facility in Mackenzie, British Columbia. Our Shares are traded on the Toronto Stock Exchange under the symbol "CFF".

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May 18, 2017

Dear Shareholders:

You are cordially invited to attend our annual general and special meeting of shareholders, which will take place on June 20, 2017 at 11:00 a.m. (Vancouver time), in the Strathcona Room at the Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia.

This meeting is your opportunity to:

- hear about our results in 2016 and our strategies for the future;
- vote in person on items of business brought before the meeting, including the election of our directors, the appointment of our auditor and the amendment to our shareholder rights plan; and
- meet our board of directors and senior management and ask questions of them.

The items of business to be considered at the meeting are more fully described in the accompanying management information circular.

Your participation and views are important. If you cannot attend the meeting in person, we encourage you to vote by proxy. Instructions on how to vote by proxy are contained in the instructions to the proxy and in the accompanying management information circular.

We have mailed a copy of the management information circular for the meeting to our registered shareholders and other shareholders who have asked to receive such information. Public documents, including our 2016 annual information form and audited financial statements, can also be accessed on our website at www.conifex.com and under our profile on SEDAR at www.sedar.com.

I look forward to seeing you at the meeting.

Sincerely,

/s/ Kenneth A. Shields

Kenneth A. Shields

Chairman, Chief Executive Officer and President



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 20, 2017**

TO: The shareholders of Conifex Timber Inc. (the "**Company**")

NOTICE IS HEREBY GIVEN that our annual general and special meeting of shareholders will be held in the Strathcona Room at the Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia, Canada, on Tuesday, June 20, 2017, at 11:00 a.m. (Vancouver time) (the "**Meeting**"), for the following purposes:

1. to receive and consider our financial statements for the financial year ended December 31, 2016, together with the accompanying auditor's report;
2. to elect eight directors to our board of directors for the ensuing year;
3. to appoint our auditor for the ensuing year and to authorize our directors to fix the remuneration to be paid to our auditor for the ensuing year;
4. to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution in the form attached as Appendix "A" to the accompanying management information circular dated May 18, 2017 (the "**Information Circular**") to amend our shareholder rights plan, as more particularly set out in the Information Circular; and
5. to transact such other business as may properly come before the Meeting and any adjournment(s) or postponement(s).

Accompanying this notice of meeting is the Information Circular and a form of proxy.

Registered shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out in the form of proxy and in the Information Circular accompanying this notice of meeting. A proxy will not be valid unless it is received by Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 or by fax to 1-866-249-7775 (North America) or 1-416-263-9524 (international) not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s). The chairman of the Meeting has the discretion to accept proxies received after that time. Registered shareholders of the Company may also vote their proxies via telephone or the internet in accordance with the instructions provided in the proxy.

DATED at Vancouver, British Columbia, Canada, as of the 18th day of May, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Kenneth A. Shields

Kenneth A. Shields
Chairman, Chief Executive Officer and President

If you are a non-registered shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your common shares not being eligible to be voted by proxy at the Meeting.



MANAGEMENT INFORMATION CIRCULAR

This Information Circular has been approved by our Board of Directors and is furnished to you in connection with the solicitation of proxies by our management for use at the Meeting and at any adjournment(s) or postponement(s), at the time and place and for the purposes set forth in the accompanying Notice of Meeting.

Unless otherwise noted, information is provided as at May 18, 2017, for the annual general and special meeting of Shareholders to be held on June 20, 2017.

DEFINITIONS

In this Information Circular, unless otherwise stated:

"**Board**" or "**Board of Directors**" means our board of directors.

"**Computershare**" means Computershare Investor Services Inc., our transfer agent, and in connection with the Rights Plan, our rights agent.

"**Conifex**", the "**Company**", "**we**", "**us**" and "**our**" mean Conifex Timber Inc., together with its subsidiaries, as the context requires.

"**Information Circular**" means this management information circular, including the appendices hereto.

"**Management Proxyholder**" means Kenneth A. Shields, a director and officer of Conifex, or, failing him, David E. Roberts, a director of Conifex, or, failing him, George Malpass, a director of Conifex.

"**Meeting**" means our annual general and special meeting of Shareholders to be held June 20, 2017, and any adjournment(s) or postponement(s).

"**Notice**" means the notice of annual general and special meeting of Shareholders dated May 18, 2017, accompanying this Information Circular.

"**Record Date**" means May 16, 2017.

"**Rights Plan**" means our shareholder rights plan agreement dated June 20, 2016, between us and Computershare.

"**Share**" means a common share of Conifex.

"**Shareholder**" means an owner of a Share.

"**\$**" means Canadian dollars and "**US\$**" means United States dollars.

VOTING AND PROXIES: QUESTIONS AND ANSWERS

Q: Am I entitled to vote?

A: You are entitled to vote if you were a registered Shareholder as of the close of business on May 16, 2017, which we refer to as the Record Date. If you acquire Shares after the close of business on the Record Date, you will not be entitled to vote those Shares at the Meeting.

Each Share entitles the holder to one vote. As at May 18, 2017, there were 26,338,070 Shares outstanding.

If you are the beneficial owner of Shares not registered in your name, please refer to "*Voting by Non-Registered Shareholders: Questions and Answers*" on page 4 below for a description of the procedures to be followed to vote your Shares. You may be a non-registered Shareholder if your Shares are held in "street name" by an intermediary (such as a bank, trustee, broker or investment dealer or an administrator of self-administered RRSPs, RRIFs, RESPs and similar plans) or the name of a clearing agency for which your intermediary is a participant.

Q: What am I voting on?

A: The following matters:

- the election of our directors to hold office until next year's annual general meeting;
- the appointment of PricewaterhouseCoopers LLP, Chartered Professional Accountants, as our auditor until next year's annual general meeting, at a remuneration to be fixed by the directors; and
- the approval of an amendment to our Rights Plan.

Q: How do I vote?

A: If you are a registered Shareholder, you may vote by (1) attending the Meeting in person and voting, (2) voting your proxy in accordance with the instructions provided in the form of proxy, including via telephone or the internet, or (3) completing and signing a form of proxy appointing someone to represent you and to vote your Shares at the Meeting. Completing, signing and returning a form of proxy will not prevent you from attending the Meeting in person.

Q: What if amendments are made to these matters or if other matters are brought before the Meeting?

A: If you attend the Meeting in person and are eligible to vote, you may vote on such matters as you choose. If you have completed and returned a proxy in the form enclosed, the person(s) named in it will have discretionary authority with respect to amendments or variations to matters identified in the Notice and to other matters which properly come before the Meeting. If any other matter properly comes before the Meeting, the persons so named will vote on it in accordance with their judgment. As of the date of this Information Circular, our management does not know of any such amendment, variation or other matter expected to come before the Meeting.

Q: Who is soliciting my proxy?

A: Our management is soliciting your proxy. Solicitation of proxies will be primarily by mail. Proxies may also be solicited personally by our officers at nominal cost. The cost of this solicitation will be borne by us.

Q: If I deliver a proxy, who will vote my Shares?

A: Kenneth A. Shields (or, failing him, David E. Roberts or, failing him, George Malpass), has been named as the Management Proxyholder in the accompanying proxy and will represent the Shareholders at the Meeting that deliver proxies that do not name a different proxyholder.

You can appoint a person or company other than the Management Proxyholder to represent you at the Meeting. To do so, you must write the name of your chosen proxyholder in the blank space provided in the

form of proxy. It is important to ensure that any other person you appoint as proxyholder will attend the Meeting and is aware that his or her appointment has been made to vote your Shares and that he or she should present himself/herself to a representative of Computershare.

Q: What if my Shares are registered in more than one name or in the name of my company?

A: If your Shares are registered in more than one name, all those registered must sign the form of proxy. If your Shares are registered in the name of your company or any name other than yours, we may require that you provide documentation that proves you are authorized to sign the form of proxy.

Q: What if I plan to attend the Meeting and vote in person?

A: If you plan to attend the Meeting and wish to vote your Shares in person, you do not need to complete or return a form of proxy. Your vote will be taken and counted at the Meeting. Please register with the scrutineer when you arrive at the Meeting. If your Shares are not registered in your name, but you wish to attend the Meeting, please see "*Voting by Non-Registered Shareholders: Questions and Answers*" on page 4.

Q: What happens when I sign and return a form of proxy?

A: You will have given authority to whoever it appoints as your proxyholder to vote, or withhold from voting, your Shares at the Meeting in accordance with the voting instructions you provide.

Q: What do I do with my completed form of proxy?

A: Return it to Computershare at the address set out below on page 4 so that it arrives no later than 11:00 a.m. (Vancouver time) on June 16, 2017 or, if the Meeting is adjourned or postponed, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the adjourned or postponed Meeting. The chair of the Meeting has the discretion to accept proxies received after the deadline.

Q: How will my Shares be voted if my proxy is in the enclosed form with no other person named as proxyholder?

A: The Management Proxyholder will vote or withhold from voting your Shares in accordance with your instructions.

In the absence of such instructions, your Shares will be voted FOR the election of the directors nominated by management, FOR the appointment of PricewaterhouseCoopers LLP, Chartered Professional Accountants, as auditor and FOR the amendment to the Rights Plan.

Q: Can I revoke a proxy once it has been given?

A: Yes. If you are a registered Shareholder as of the Record Date, you may revoke your proxy with an instrument in writing (which can be another proxy with a later date) and delivered to Computershare or our registered office, up to and including the last business day preceding the day of the Meeting (or any adjournment(s) or postponement(s)), or to the individual chairing the Meeting prior to the commencement of the Meeting or any adjournment(s) or postponement(s). Any written revocation must be duly executed by you or your attorney authorized in writing or, if you hold your Shares through a company, by an authorized officer.

Please note that your participation in person in a vote by ballot at the Meeting would automatically revoke any proxy you have given in respect of the item of business covered by that vote.

If you are not a registered Shareholder, you must follow the instructions given to you by your intermediary to revoke your voting instructions.

Q: Who are the principal holder(s) of our Shares?

A: The principal holder(s) (persons or companies that beneficially own or exercise control or direction over more than 10% of a class of our outstanding Shares), to the knowledge of our directors and executive officers and based on public information, are set out below in this Information Circular.

Q: What if I have further questions?

A: You can contact our transfer agent Computershare, at:

Computershare Investor Services Inc.
8th Floor, 100 University Avenue
Toronto, ON M5J 2Y1

1-800-564-5263 (toll free North America)
1-514-982-7555 (international)

VOTING BY NON-REGISTERED SHAREHOLDERS: QUESTIONS AND ANSWERS

Q: If my Shares are not registered in my name, how do I vote my Shares at the Meeting?

A: Many of our Shareholders do not hold their Shares registered in their name, but instead hold their Shares in the name of an intermediary or a nominee, such as a trustee, broker or other financial institution. Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting.

If you are a non-registered Shareholder and are receiving these materials from your broker or other intermediary, you should carefully follow the instructions provided by your intermediary on how to direct the voting of your Shares or you may lose your right to vote at the Meeting, either in person or by proxy.

If you are a non-registered Shareholder, there are generally two ways that you can direct the voting of your Shares:

- 1) By providing voting instructions to your intermediary:

applicable securities laws require an institutional intermediary to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive, or have already received with these materials, from your intermediary either a request for voting instructions or a form of proxy for the number of Shares you beneficially own. Every institutional intermediary has its own mailing procedures and provides its own signing and return instructions, which you should follow carefully to ensure that your Shares are voted at the Meeting.

- 2) By being appointed as a proxyholder and attending the Meeting in person:

we generally do not have access to the names of all of our non-registered Shareholders. Therefore, if you attend the Meeting, we may have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as proxyholder.

If you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions or form of proxy provided by your nominee to appoint yourself as proxyholder. If you are a non-registered Shareholder and instruct your nominee to appoint yourself as proxyholder, you should present yourself to the scrutineer of the Meeting with appropriate identification.

THE MEETING

The following is a summary of certain information contained in this Information Circular concerning the business that will be transacted at the Meeting and the matters that you will be asked to vote on. This summary is not intended to be complete. You should read the entire Information Circular, including the appendices, carefully.

Presentation of Financial Statements

Our consolidated financial statements for the year ended December 31, 2016 and the accompanying auditor's report will be presented to Shareholders at the Meeting, but no vote with respect to them is required or proposed to be taken. You may view our consolidated financial statements online on our website at www.conifex.com and under our profile on SEDAR at www.sedar.com. You will have an opportunity to ask questions about our consolidated financial statements at the Meeting.

Election of Directors

The Board is recommending eight persons for election to our Board of Directors at the Meeting. Further information on each nominee can be found in this Information Circular under "*Election of Directors*". Each of our directors are elected each year at the annual general meeting and hold office until the next annual general meeting, unless that director resigns or until the director sooner ceases to hold office.

As a Shareholder, you have the opportunity to vote in the election of directors. The Board has adopted a majority voting policy with respect to the election of directors. This means that any director that receives more "withheld" votes than "for" votes in an uncontested election will be required to tender his or her resignation, which the Board will accept absent extraordinary circumstances. For further information on our majority voting policy, see "*Corporate Governance – Majority Voting Policy*".

The Board recommends that you vote FOR all nominees standing for election.

Appointing the Auditor

The Board of Directors is proposing that PricewaterhouseCoopers LLP, Chartered Professional Accountants, Vancouver, Canada, be re-appointed as auditor, at a remuneration to be fixed by the Board. A representative of PricewaterhouseCoopers LLP, Chartered Professional Accountants, is expected to be present at the Meeting and available to answer questions.

The Board recommends that you vote FOR the resolution appointing PricewaterhouseCoopers LLP, Chartered Professional Accountants, as our auditor and authorizing the Board to fix their remuneration.

Amendment to Rights Plan

At the Meeting, Shareholders will be asked to pass an ordinary resolution approving an amendment to the Rights Plan. Subject to the terms of the Rights Plan, including certain exceptions provided therein, the Rights Plan currently provides that rights become exercisable in the event that any person, together with any joint actors, acquires or announces its intention to acquire 20% or more of our outstanding Shares (the "**Threshold Amount**"). It is proposed that the Rights Plan be amended at the Meeting to increase the Threshold Amount from 20% to 25%, in which case, subject to the terms of the Rights Plan and to certain exceptions provided therein, the rights will become exercisable in the event that any person, together with any joint actors, acquires or announces its intention to acquire 25% or more of our outstanding Shares.

The Board has determined that the amendment is in our best interests and in the best interests of our Shareholders and unanimously recommends that Shareholders vote in favour of the amendment to the Rights Plan.

The Board recommends that you vote FOR the resolution approving the amendment to our Rights Plan.

VOTING SECURITIES AND PRINCIPAL HOLDERS

Our authorized capital consists of an unlimited number of Shares. As at May 18, 2017, there were a total of 26,338,070 Shares outstanding. Each Share entitles the holder to one vote.

Principal Holders of Shares

The following table lists, to the knowledge of our directors and executive officers, based on public information, those persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, Shares carrying 10% or more of the voting rights attached to all of the issued and outstanding Shares as at May 18, 2017:

Name	Number of Shares	Percentage of Issued and Outstanding Shares
Polar Asset Management Partners Inc.	5,613,801 ⁽¹⁾	21.33%

Note:

- (1) Based on publicly available information, the reported Shares are held by Polar Asset Management Partners Inc. on behalf of client accounts over which it has discretionary trading authority.

ELECTION OF DIRECTORS

The Board is recommending eight persons (the "**Nominees**") for election at the Meeting. Each of the eight persons whose name appears below is proposed by the Board to be nominated for election as a director of Conifex to serve until the next annual general meeting of the Shareholders or until the director sooner ceases to hold office.

The following table (and notes thereto) states the name and province or state and country of residence of each Nominee, all offices of Conifex now held by the Nominee, the period of time for which the Nominee has been a director of Conifex and the number of Shares beneficially owned by the Nominee, directly or indirectly, or over which the Nominee exercises control or direction, as at the date hereof:

The Board recommends that you vote FOR all Nominees standing for election.

Name, Province or State and Country of Residence	Current Position(s) with Conifex	Director Since	Shares (#)
Kenneth A. Shields ⁽¹⁾ British Columbia, Canada	Chairman, Chief Executive Officer, President and Director	June 3, 2010	1,169,539 ⁽²⁾⁽³⁾
David E. Roberts ⁽⁴⁾⁽⁵⁾ Ontario, Canada	Director	May 27, 2010	441,277 ⁽⁶⁾
George Malpass ⁽⁴⁾⁽⁵⁾ British Columbia, Canada	Director	May 27, 2010	352,442 ⁽⁷⁾
Jim Jia British Columbia, Canada	Director	June 3, 2010	Nil ⁽⁸⁾⁽⁹⁾
Michael Costello ⁽⁴⁾⁽⁵⁾ British Columbia, Canada	Director	April 18, 2012	33,900 ⁽¹⁰⁾
Pat Bell ⁽¹⁾ British Columbia, Canada	Director	August 12, 2013	11,478 ⁽¹¹⁾
Tom Reed ⁽¹⁾ Georgia, United States of America	Director	February 22, 2016	35,000
Janine North British Columbia, Canada	Director	February 14, 2017	25,000

Notes:

- (1) A member of the Environmental, Health and Safety Committee, which is currently comprised of Messrs. Bell (Chair), Shields and Reed.
 (2) Does not include 100,000 options to purchase Shares on a one-for-one basis held by Mr. Shields. Mr. Shields also holds 430,000 performance share units ("**PSUs**") of Conifex. Each PSU represents, on vesting, one Share, provided that we may pay Mr. Shields the equivalent value in cash for such Shares, on the terms and conditions set forth in the applicable award agreement. For additional information, see "*Statement of Executive Compensation – Elements of Compensation*" below.

- (3) An aggregate of 83,256 of these Shares are held jointly by Mr. Shields with his spouse.
- (4) A member of the Audit Committee, which is comprised of Messrs. Costello (Chair), Malpass and Roberts.
- (5) A member of the Corporate Governance and Human Resources Committee, which is comprised of Messrs. Roberts (Chair), Malpass and Costello.
- (6) 410,027 of these Shares are held indirectly by Mr. Roberts through D.E. Roberts Inc., an Ontario private company.
- (7) Mr. Malpass's spouse holds 31,250 Shares.
- (8) Mr. Jia holds 5,341 deferred share units ("DSUs") of Conifex, which shall vest after the date that Mr. Jia ceases to be a director of Conifex for any reason. We may pay the DSUs by the issuance of an equal number of Shares or by payment of the equivalent value of such Shares in cash on the terms and conditions set forth in the applicable award agreement.
- (9) Mr. Jia's spouse holds 12,121 Shares.
- (10) Mr. Costello's spouse is the registered holder of 3,500 of these Shares.
- (11) Mr. Bell's spouse holds 8,130 Shares.

Set out below are the profiles of our Nominees for election at the Meeting:

Kenneth A. Shields, age 68, Chairman, Chief Executive Officer, President and Director. Mr. Shields currently serves as a director of the Forest Products Association of Canada, the British Columbia Lumber Trade Council, the Council of Forest Industries and Bioindustrial Innovation Canada. Mr. Shields previously served as Chair of the Canadian BioEnergy Association and director of the Investment Dealers' Association of Canada, Raymond James Financial Inc., Mercer International Inc., TimberWest Forest Corp. and Slocan Forest Products Ltd. Mr. Shields resigned as Chief Executive Officer of Raymond James Ltd. in 2006 to devote his efforts to launching Conifex.

David Roberts, age 75, Director. Mr. Roberts retired in 2004 from Raymond James Ltd. where he headed its institutional equity business based in Toronto, Ontario. Mr. Roberts has been instrumental in raising financing for Conifex to date.

George Malpass, age 78, Director. Mr. Malpass is a former President, Chief Executive Officer and the founder of Primex Forest Products Ltd., a coastal British Columbia lumber company, which maintained consistent profitability over 17 consecutive years. Mr. Malpass has served as a director of Mercer International Inc., International Forest Products Ltd. and Riverside Forest Products Ltd. and is a former Chair of the Council of Forest Industries of British Columbia.

Jim Jia, age 49, Director. Mr. Jia is the General Manager of Tangshan Caofeidian Wood Industry Co. Ltd., a significant forest products port terminal and processing hub in northern China. Mr. Jia has over 20 years of lumber and woodworking machinery marketing experience in China and Japan.

Michael Costello, age 66, Director. Mr. Costello has held a number of executive and board positions during his career. Mr. Costello has served as President and Chief Executive Officer of BC Transmission Corporation, President and Chief Executive Officer of B.C. Hydro and Deputy Minister of Finance and Secretary to the Treasury Board for the Government of British Columbia and the Government of Saskatchewan. Mr. Costello previously served as Chair of the Canadian Electricity Association, Chair of the Energy Council of Canada and director of the Vancouver Island Health Authority, the Ontario Power Authority and InTransit BC.

Pat Bell, age 60, Director. Mr. Bell provides consulting services to a number of businesses, and currently serves as a director of Gold Reach Resources Ltd., Pinnacle Renewable Energy Inc. and the Northern Health Authority. Mr. Bell served as our Executive Vice-President in 2014. During his political career, Mr. Bell served three terms in the British Columbia legislature and held a number of high profile positions with the provincial government, including Minister of Jobs, Tourism and Skills Training, Minister of Forests and Range and Minister of Agriculture. Mr. Bell's entrepreneurial career involved interests in a variety of businesses, including a logging company and a trucking company. Earlier in his career, Mr. Bell worked in the hospitality industry at a corporate level, and he remains involved with the organization as a franchisee.

Tom Reed, age 68, Director. Mr. Reed recently retired from Plum Creek Timber Inc. ("**Plum Creek**"), a timberland owner and management company he joined in 2001. Mr. Reed served in a variety of roles at Plum Creek, and since 2013, was Vice-President of the SouthernResources unit in Plum Creek's Atlantic Southland Gulf South region, overseeing sustainable forest management in Alabama, Florida, Georgia, South Carolina, Virginia, and North Carolina. Mr. Reed began his career in 1973 with Champion International Corporation, where he served as Vice-President of Forest Resources until it was acquired by International Paper in 2000. Mr. Reed currently serves as Chairman of the Forest Resources Association Inc. and as a director on each of the Florida Forestry Association, the Georgia Forestry Association and the Georgia-Alabama Land Trust.

Janine North, age 56, Director. Ms. North currently serves as a director and as the Chair of Governance and Human Resources for B.C. Hydro, and as a director of viaSport British Columbia. Ms. North is the recently retired Chief Executive Officer of the Northern Development Initiative Trust and previously chaired the Nechako-Kitimat Development Fund, Vice-Chaired the Central Interior Logging Association, served as Vice-President of the Agricultural Institute of Canada and held directorships with the Association of Mineral Exploration of B.C., Canadian Sport Institute and Junior Achievement B.C.

STATEMENT OF EXECUTIVE COMPENSATION

Pursuant to applicable securities legislation, we are providing a summary of all annual and long-term compensation for services in all capacities to us and our subsidiaries for the most recently completed financial year in respect of the individuals comprised of the Chief Executive Officer, the Chief Financial Officer and our other three most highly compensated executive officers, including its subsidiaries, whose individual total compensation for the most recently completed financial year exceeded \$150,000, and any individual who would have satisfied these criteria but for the fact that the individual was not serving as our officer or an officer of any of our subsidiaries at the end of the most recently completed financial year (the "**Named Executive Officers**" or "**NEOs**").

Compensation Discussion and Analysis

Our compensation policy with respect to executive officers is designed to provide both short- and long-term rewards that are consistent with individual and corporate performance. Our Corporate Governance and Human Resources Committee (the "**CGHR Committee**") performs the functions of a compensation committee in the determination of compensation of executive officers. The CGHR Committee's goal is for us to provide sufficient compensation opportunities for executive officers in order to attract, retain and motivate the best possible management team, while at the same time aligning the interests of our executive officers with those of Shareholders.

Elements of Compensation

The CGHR Committee believes that the components of our compensation package allow us to offer an appropriate mix of fixed versus "at-risk" compensation to facilitate the CGHR Committee in achieving its primary goals with respect to compensation. Compensation for our executive officers primarily consists of:

- (i) a base salary;
- (ii) an annual cash bonus; and
- (iii) equity-based compensation granted on a discretionary basis under our amended and restated long-term performance incentive plan dated June 25, 2013 (the "**Incentive Plan**").

Base Salary. The objective of base salary, consistent with market practice, is to provide a portion of compensation as a fixed cash amount. The CGHR Committee reviews each executive officer's base salary with reference to relevant industry norms relating to, among other things, experience, past performance and level of responsibility. The CGHR Committee reviews salary levels periodically and may recommend adjustments to the Board, if warranted, as a result of salary increase trends in the marketplace, competitive positioning and an increase in responsibilities assumed by an executive.

Annual Bonus. Annual cash bonuses are a component of the total compensation that may be received by our executive officers, which provide such officers the potential to receive an annual financial reward based on the achievement of specific goals. Annual cash bonus incentives, if paid, may be based upon our actual performance relative to specified targets, such as the level of "EBITDA" (which we define as earnings before finance costs, taxes, depreciation and amortization) generated over the period, and/or the successful completion of initiatives designed to improve our competitive position and financial integrity. In addition, the CGHR Committee relies on the recommendations of our Chief Executive Officer in respect of other officers and Board discussions in their analysis and recommendation-making process. For further information regarding benchmarking, see the section of this Information Circular entitled "*Corporate Governance – Compensation*".

We did not pay any annual cash bonuses to our NEO's in 2014 or 2015. In 2016, we approved a total of approximately \$1,070,000 to our NEO's in respect of annual cash bonuses, of which half was paid in 2016 and half was paid in 2017, based on the following principal initiatives: (i) year-over-year improvements in key operating metrics in our lumber segment; (ii) the successful completion of certain transactions related to our forest tenures; (iii) the acquisition of our El Dorado sawmill and related facilities and equipment, including approximately 186 acres of land, near El Dorado, Arkansas; and (iv) securing commitment for our \$130 million revolving credit facility arranged by a major U.S. bank.

Long-term Incentive Awards. The CGHR Committee also considers long-term performance incentive awards ("**LTIP Awards**") to be an important component of executive compensation. The objective of making grants under the Incentive Plan is to encourage executive officers to acquire an ownership interest in us over a period of time, thus better aligning the interests of executive officers with the interests of Shareholders, and thereby discouraging excessive risk taking. When determining possible future LTIP Award grants, the CGHR Committee considers past grants.

We consider various factors when determining the number of LTIP Awards to be granted to specific individuals, including the level of responsibility and base salary level associated with the position held by such individual. Our management periodically submits to the Board for approval its recommendations in respect of the number of LTIP Awards to be granted to specific individuals.

Risk Management

The CGHR Committee considers the implications of the risks associated with our compensation policies and practices. The CGHR Committee considers the balance between the long-term objectives and short-term financial goals incorporated into our executive compensation program and whether our executive officers are potentially encouraged to expose us to inappropriate or excessive risks. Risks, if any, may be identified and mitigated through regular meetings of the CGHR Committee, which is comprised entirely of "independent" directors, and the Board.

Hedging

We have a policy which prohibits executive officers or directors from purchasing financial instruments for the purpose of hedging or offsetting a decrease in the market value of our equity securities. Specifically, executive officers or directors are prohibited from engaging in short sales, monetization of equity awards before vesting and transactions in derivatives involving the Shares, namely put and call options.

Compensation Governance

The CGHR Committee is comprised of David E. Roberts, George Malpass and Michael Costello, all of whom are "independent" members as that term is used in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). David E. Roberts is the Chair of the CGHR Committee.

The CGHR Committee operates under a written Terms of Reference contained in our Corporate Governance Guidelines. Among other things, the CGHR Committee has the responsibility of assessing the performance of the Chief Executive Officer, evaluating the Chief Executive Officer's contribution to our overall success and recommending to the Board the Chief Executive Officer's level of compensation. It is also responsible for reviewing and approving the compensation of other key executive officers and directors including salary, bonus, incentive and other compensation levels. For further information relating to the CGHR Committee's responsibilities and the policies and practices used to determine compensation for our directors and executive officers, see the sections of this Information Circular entitled "*Statement of Executive Compensation – Compensation Discussion and Analysis*" above and "*Corporate Governance – Compensation*" below.

All members of the CGHR Committee have experience in compensation matters, either as members of compensation committees of other public companies and/or from having served as senior executives with significant responsibility for or involvement in compensation matters. For further information, see the profiles of our directors above under the section entitled "*Election of Directors*".

Summary Compensation Table

The following table (and notes thereto) states the name of each Named Executive Officer and his or her annual compensation, consisting of salary, bonus and other annual compensation, and long-term compensation, for example LTIP Awards, for our three most recently completed financial years:

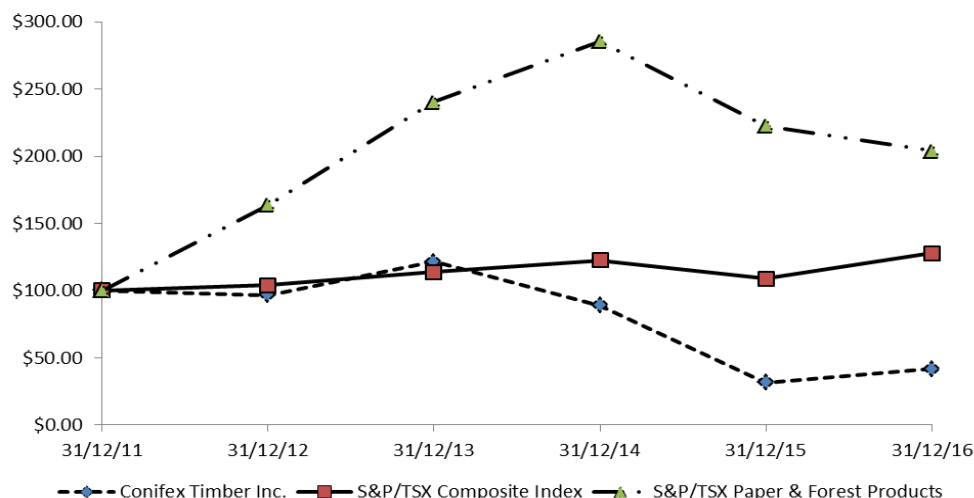
Name and principal position	Year	Salary (\$)	Share-based awards ⁽¹⁾ (\$)	Annual Incentive Plan (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Kenneth A. Shields ⁽²⁾ Chief Executive Officer	2016	450,000	442,000	400,000	26,010	20,321	1,338,331
	2015	420,000	254,532	Nil	18,900	14,886	708,318
	2014	373,750	451,699	Nil	26,250	8,638	860,337
Yuri Lewis Chief Financial Officer	2016	240,000	170,000	180,000	17,322	11,688	619,011
	2015	200,000	131,438	Nil	15,000	6,742	353,180
	2014	160,000	125,170	Nil	15,000	5,504	305,674
Hans Thur Senior Vice-President, Marketing	2016	240,000	170,000	180,000	18,575	17,681	626,256
	2015	232,500	131,438	Nil	17,438	16,705	398,081
	2014	225,000	125,170	Nil	19,125	22,564	391,859
Tony Madia Senior Vice-President, Operations	2016	240,000	170,000	180,000	18,575	3,718	612,293
	2015	207,500	172,422	Nil	15,563	3,027	398,512
	2014	175,000	125,170	Nil	17,773	5,768	323,711
Adam Infanti Vice-President, Finance	2016	200,000	119,000	130,000	18,575	4,406	471,981
	2015	170,000	81,969	Nil	12,750	1,281	266,000
	2014	140,000	95,050	Nil	15,875	3,595	254,520

Notes:

- The reported amounts represent the fair value of the share-based awards as at December 31 of each reported period and do not reflect the actual value of the payout recipients may receive on the vesting of such awards. For additional information, see "Statement of Executive Compensation – Elements of Compensation" above. The fair value of any restricted share units ("RSUs") awarded during the year is based upon the closing price of the Shares on the grant date. The fair value of any PSUs awarded during the year is based on the 10-day volume weighted average price of the Shares on the grant date and the percentage of PSUs that are expected to be earned on the vesting date based upon historical norms.
- Amounts stated reflect the annual salary and bonus, if any, received by Mr. Shields for the reported fiscal years. As an "inside" director, Mr. Shields does not collect any fees relating to his role as a director.

Performance Graph

The following graph compares the total cumulative return for a Shareholder who invested \$100 in our Shares on January 1, 2012 through December 31, 2016 with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Paper and Forest Products Index for the same period, assuming, in each case, the reinvestment of any dividends during the covered periods.



Outstanding Share-based Awards and Option-based Awards for Named Executive Officers

The following table states the name of each NEO, the number of options available for exercise, the exercise price and expiration date for each option, as well as the number of and the market or payout value of LTIP Awards that have not vested, as at December 31, 2016.

Name and Principal Position	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Shares or units of Shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Kenneth A. Shields Chief Executive Officer	100,000	8.25	August 20, 2020	Nil ⁽¹⁾	430,000	527,966	N/A
Yuri Lewis Chief Financial Officer	Nil	N/A	N/A	N/A	111,212	246,563	N/A
Hans Thur Senior Vice-President, Marketing	Nil	N/A	N/A	N/A	110,000	242,891	N/A
Tony Madia Senior Vice-President, Operations	Nil	N/A	N/A	N/A	121,454	264,681	N/A
Adam Infanti Vice-President, Finance	Nil	N/A	N/A	N/A	70,970	181,298	N/A

Notes:

- (1) The reported amounts represent the fair value of vested stock options.
- (2) The reported amounts represent outstanding RSUs and/or PSUs. The reported value of unvested RSUs is based on the closing price of the Shares on December 31, 2016. The reported value of unvested PSUs is based on the 10-day volume weighted average price of the Shares on December 31, 2016, and the percentage of unvested PSUs which are expected to be earned on the vesting date based upon historical norms.

Incentive Plan Awards – Value Vested or Earned During the Year for Named Executive Officers

The table below discloses the aggregate dollar value that would have been realized by a NEO if stock options under option-based awards had been exercised on the vesting-date, as well as the aggregate dollar value realized upon vesting of share-based awards by a NEO.

Name and Principal Position	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)
Kenneth A. Shields Chief Executive Officer	Nil	Nil
Yuri Lewis Chief Financial Officer	N/A	3,581 ⁽¹⁾
Hans Thur Senior Vice-President, Marketing	N/A	34,200 ⁽¹⁾
Tony Madia Senior Vice-President, Operations	N/A	4,299 ⁽¹⁾
Adam Infanti Vice-President, Finance	N/A	8,778 ⁽¹⁾

Note:

- (1) Amounts represent the aggregate dollar value of LTIP Awards that vested in 2016. Values are based upon the closing price of the Shares on the vesting date.

During the most recently completed financial year, the Named Executive Officers did not exercise any stock options under the Incentive Plan. During the most recently completed financial year, 365,000 LTIP Awards were granted to employees under the Incentive Plan. As at December 31, 2016, there were 1,628,965 LTIP Awards outstanding under the Incentive Plan.

Pension Plan Benefits

We provide a defined contribution plan (the "**Pension Plan**") for all full-time regular salaried employees and certain part-time salaried employees based upon prescribed eligibility criteria. The accumulated value of the Pension Plan as at January 1, 2016 and December 31, 2016 for each NEO is set forth in the table below:

Name and Principal Position	Accumulated value at start of year (\$)	Compensatory change (\$)	Non-compensatory change (\$)	Accumulated value at year end (\$)
Kenneth A. Shields Chief Executive Officer	223,840	26,010	23,029	272,879
Yuri Lewis Chief Financial Officer	127,255	17,322	15,445	160,022
Hans Thur Senior Vice-President, Marketing	59,209	18,575	13,834	91,618
Tony Madia Senior Vice-President, Operations	105,747	18,575	7,992	132,314
Adam Infanti Vice-President, Finance	64,868	18,575	22,363	105,806

We contribute a base percentage to the Pension Plan for each plan member and also match each plan member's optional contribution up to a maximum contribution limit. Our contribution vests immediately. Upon normal or early retirement, the value of the member's account is used to provide a retirement annuity as at that date.

Termination and Change of Control Benefits and Employment Contracts

Kenneth A. Shields

Mr. Shields, our Chief Executive Officer, entered into an employment agreement with us during the fiscal year ended December 31, 2016. Pursuant to the agreement, we will pay Mr. Shields an annual base salary of \$450,000 (subject to annual review) and an annual discretionary bonus and provide him certain benefits and customary perquisites. The agreement also entitles Mr. Shields to receive LTIP Awards under the Incentive Plan.

If Mr. Shields' employment is terminated by us other than for just cause or by Mr. Shields for good reason, he will be entitled to any accrued benefits and any unpaid amounts payable under the Incentive Plan with respect to the fiscal year ending on or proceeding the date of termination, and a severance amount, payable in substantially equal installments over twelve months, equal to one times the sum of: (i) his current annual base salary, and (ii) the higher of (A) his current annual bonus and (B) the highest variable pay and incentive bonus received by him in the three fiscal years prior to termination. Assuming Mr. Shields' employment was terminated by us other than for just cause or by Mr. Shields for good reason effective December 31, 2016, we would have been required to make a severance payment to Mr. Shields in the aggregate amount of \$850,000 pursuant to the terms of his employment agreement.

If Mr. Shields' employment is terminated by us other than for just cause or by Mr. Shields for good reason in contemplation of, or within eighteen months of, a change of control, he will be entitled to any accrued benefits and a lump sum cash payment equal to two times the sum of (i) his current annual base salary, and (ii) the higher of (A) his then current annual bonus and (B) the highest variable pay and incentive bonus received by him for the three fiscal years prior to termination and all unvested options or equity awards granted by us to Mr. Shields during the term of his employment agreement shall become fully and immediately exercisable. Assuming Mr. Shields' employment was terminated by us other than for just cause or by Mr. Shields for good reason in contemplation of, or within eighteen months of, a change of control effective December 31, 2016, we would have been required to make a lump sum cash payment to Mr. Shields in the aggregate amount of \$1,700,000 pursuant to the terms of his employment agreement.

Yuri Lewis

Ms. Lewis, our Chief Financial Officer, entered into an employment agreement with us during the fiscal year ended December 31, 2016. Pursuant to the agreement, we will pay Ms. Lewis an annual base salary of \$240,000 (subject to annual review) and an annual discretionary bonus and provide her certain benefits and customary perquisites. The agreement also entitles Ms. Lewis to receive LTIP Awards under the Incentive Plan.

If Ms. Lewis' employment is terminated by us other than for just cause or by Ms. Lewis for good reason, she will be entitled to any accrued benefits and any unpaid amounts payable under the Incentive Plan with respect to the fiscal year ending on or proceeding the date of termination, and a severance amount, payable in substantially equal installments over twelve months, equal to one times the sum of: (i) her current annual base salary, and (ii) the higher of (A) her current annual bonus and (B) the highest variable pay and incentive bonus received by her in the three fiscal years prior to termination. Assuming Ms. Lewis' employment was terminated by us other than for just cause or by Ms. Lewis for good reason effective December 31, 2016, we would have been required to make a severance payment to Ms. Lewis in the aggregate amount of \$420,000 pursuant to the terms of her employment agreement.

If Ms. Lewis' employment is terminated by us other than for just cause or by Ms. Lewis for good reason in contemplation of, or within twelve months of, a change of control, she will be entitled to any accrued benefits and a lump sum cash payment equal to one and a half times the sum of (i) her current annual base salary, and (ii) the higher of (A) her then current annual bonus and (B) the highest variable pay and incentive bonus received by her for the three fiscal years prior to termination and all unvested options or equity awards granted by us to Ms. Lewis during the term of her employment agreement shall become fully and immediately exercisable. Assuming Ms. Lewis' employment was terminated by us other than for just cause or by Ms. Lewis for good reason in contemplation of, or within twelve months of, a change of control effective December 31, 2016, we would have been required to make a lump sum cash payment to Ms. Lewis in the aggregate amount of \$630,000 pursuant to the terms of her employment agreement.

Hans Thur

Mr. Thur, our Senior Vice-President Marketing, entered into an employment agreement with us during the fiscal year ended December 31, 2016. Pursuant to the agreement, we will pay Mr. Thur an annual base salary of \$240,000 (subject to annual review) and an annual discretionary bonus and provide him certain benefits and customary perquisites. The agreement also entitles Mr. Thur to receive LTIP Awards under the Incentive Plan.

If Mr. Thur's employment is terminated by us other than for just cause or by Mr. Thur for good reason, he will be entitled to any accrued benefits and any unpaid amounts payable under the Incentive Plan with respect to the fiscal year ending on or proceeding the date of termination, and a severance amount, payable in substantially equal installments over twelve months, equal to one times the sum of: (i) his current annual base salary, and (ii) the higher of (A) his current annual bonus and (B) the highest variable pay and incentive bonus received by him in the three fiscal years prior to termination. Assuming Mr. Thur's employment was terminated by us other than for just cause or by Mr. Thur for good reason effective December 31, 2016, we would have been required to make a severance payment to Mr. Thur in the aggregate amount of \$420,000 pursuant to the terms of his employment agreement.

If Mr. Thur 's employment is terminated by us other than for just cause or by Mr. Thur for good reason in contemplation of, or within twelve months of, a change of control, he will be entitled to any accrued benefits and a lump sum cash payment equal to one and a half times the sum of (i) his current annual base salary, and (ii) the higher of (A) his then current annual bonus and (B) the highest variable pay and incentive bonus received by him for the three fiscal years prior to termination and all unvested options or equity awards granted by us to Mr. Thur during the term of his employment agreement shall become fully and immediately exercisable. Assuming Mr. Thur's employment was terminated by us other than for just cause or by Mr. Thur for good reason in contemplation of, or within twelve months of, a change of control effective December 31, 2016, we would have been required to make a lump sum cash payment to Mr. Thur in the aggregate amount of \$630,000 pursuant to the terms of his employment agreement.

Tony Madia

Mr. Madia, our Senior Vice-President Operations, entered into an employment agreement with us during the fiscal year ended December 31, 2016. Pursuant to the agreement, we will pay Mr. Madia an annual base salary of \$240,000 (subject to annual review) and an annual discretionary bonus and provide him certain benefits and customary perquisites. The agreement also entitles Mr. Madia to receive LTIP Awards under the Incentive Plan.

If Mr. Madia's employment is terminated by us other than for just cause or by Mr. Madia for good reason, he will be entitled to any accrued benefits and any unpaid amounts payable under the Incentive Plan with respect to the fiscal year ending on or proceeding the date of termination, and a severance amount, payable in substantially equal installments over twelve months, equal to one times the sum of: (i) his current annual base salary, and (ii) the higher of (A) his current annual bonus and (B) the highest variable pay and incentive bonus received by him in the three fiscal years prior to termination. Assuming Mr. Madia's employment was terminated by us other than for just cause or by Mr. Madia for good reason effective December 31, 2016, we would have been required to make a severance payment to Mr. Madia in the aggregate amount of \$420,000 pursuant to the terms of his employment agreement.

If Mr. Madia's employment is terminated by us other than for just cause or by Mr. Madia for good reason in contemplation of, or within twelve months of, a change of control, he will be entitled to any accrued benefits and a lump sum cash payment equal to one and a half times the sum of (i) his current annual base salary, and (ii) the higher of (A) his then current annual bonus and (B) the highest variable pay and incentive bonus received by him for the three fiscal years prior to termination and all unvested options or equity awards granted by us to Mr. Madia during the term of his employment agreement shall become fully and immediately exercisable. Assuming Mr. Madia's employment was terminated by us other than for just cause or by Mr. Madia for good reason in contemplation of, or within twelve months of, a change of control effective December 31, 2016, we would have been required to make a lump sum cash payment to Mr. Madia in the aggregate amount of \$630,000 pursuant to the terms of his employment agreement.

Adam Infanti

Mr. Infanti, our Vice-President Finance, entered into an employment agreement with us during the fiscal year ended December 31, 2016. Pursuant to the agreement, we will pay Mr. Infanti an annual base salary of \$200,000 (subject to annual review) and an annual discretionary bonus and provide him certain benefits and customary perquisites. The agreement also entitles Mr. Infanti to receive LTIP Awards under the Incentive Plan.

If Mr. Infanti's employment is terminated by us other than for just cause or by Mr. Infanti for good reason, he will be entitled to any accrued benefits and any unpaid amounts payable under the Incentive Plan with respect to the fiscal year ending on or proceeding the date of termination, and a severance amount, payable in substantially equal installments over twelve months, equal to one times the sum of: (i) his current annual base salary, and (ii) the higher of (A) his current annual bonus and (B) the highest variable pay and incentive bonus received by him in the three fiscal years prior to termination. Assuming Mr. Infanti's employment was terminated by us other than for just cause or by Mr. Infanti for good reason effective December 31, 2016, we would have been required to make a severance payment to Mr. Infanti in the aggregate amount of \$330,000 pursuant to the terms of his employment agreement.

If Mr. Infanti's employment is terminated by us other than for just cause or by Mr. Infanti for good reason in contemplation of, or within twelve months of, a change of control, he will be entitled to any accrued benefits and a lump sum cash payment equal to one and a quarter times the sum of (i) his current annual base salary, and (ii) the higher of (A) his then current annual bonus and (B) the highest variable pay and incentive bonus received by him for the three fiscal years prior to termination and all unvested options or equity awards granted by us to Mr. Infanti during the term of his employment agreement shall become fully and immediately exercisable. Assuming Mr. Infanti's employment was terminated by us other than for just cause or by Mr. Infanti for good reason in contemplation of, or within twelve months of, a change of control effective December 31, 2016, we would have been required to make a lump sum cash payment to Mr. Infanti in the aggregate amount of \$412,500 pursuant to the terms of his employment agreement.

Compensation of Directors

Our non-executive directors are paid an annual retainer of US\$40,000. Non-executive directors are not paid additional amounts for each Board meeting attended. The lead director is paid an additional annual retainer of US\$15,000.

The chair of the Audit Committee, CGHR Committee and the Environmental, Health and Safety Committee (the "EHS Committee") each receive retainers of US\$10,000 per year. Committee members receive a yearly retainer of US\$2,500 for each committee that they are a member of. Committee members are not paid additional amounts for each committee meeting attended.

From time to time, at the discretion of the Board, our non-executive directors may also be compensated for extraordinary time commitments, such as those resulting from additional travel or special assignments.

The following table states the names of each of our directors who earned director's fees in our most recently completed financial year.

Name	Fees earned ⁽¹⁾ (\$)
David E. Roberts	66,084
George Malpass	72,378
Jim Jia	50,350
John Bae	24,119
Michael Costello	66,084
Pat Bell	62,937
Tom Reed	55,926
James Dai ⁽²⁾	26,210

Notes:

- (1) On March 1, 2016, we began paying our directors' fees in United States dollars. The amounts in the table are presented in Canadian dollars, converted using an average exchange rate from United States dollars to Canadian dollars between March 1, 2016 and December 30, 2016 of 1.3105.
- (2) Mr. Dai is not standing for re-election as a director, and therefore his tenure will terminate at the Meeting.

Outstanding Share-based Awards and Option-based Awards for Directors

Other than as may be set forth herein, none of our directors held any Share-based or option-based awards as at December 31, 2016. During the most recently completed financial year, no LTIP Awards were awarded to non-employee directors and 365,000 LTIP Awards were awarded to employees. As at December 31, 2016, there were 1,628,965 LTIP Awards outstanding.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table sets forth information relating to the Incentive Plan as at December 31, 2016.

Plan category	Plan name	Number of securities to be issued upon exercise of outstanding awards (a)	Weighted-average exercise price of outstanding awards (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	Long-term Incentive Plan	1,628,965 ⁽¹⁾	N/A ⁽¹⁾	446,035

Note:

(1) Includes 100,000 stock options issued under the Incentive Plan. The weighted-average exercise price of the outstanding stock options is \$8.25.

The Incentive Plan

Effective June 21, 2011, our Shareholders approved and adopted the Incentive Plan. The Incentive Plan is available to our directors, key employees and consultants, as determined by the Board (the "**Eligible Employees**"). Currently, the aggregate number of Shares issuable under the Incentive Plan in respect of awards is 2,075,000 Shares.

So long as it may be required by the rules and policies of the applicable stock exchange (the "**Exchange**") upon which the Shares are listed for trading, (a) the total number of Shares issuable to any participant under the Incentive Plan, at any time, together with Shares reserved for issuance to such participant under any other of our security-based compensation arrangements, shall not exceed 5% of the issued and outstanding Shares, unless we obtain disinterested Shareholder approval; and (b) the total number of Shares issuable to insiders within any one-year period and at any given time under the Incentive Plan, together with any other of our security-based compensation arrangement, shall not exceed 10% of the issued and outstanding Shares. The total number of Shares issuable to non-executive directors under the Incentive Plan shall not exceed 1% of the issued and outstanding Shares. Except as otherwise determined by the Board, neither awards nor any rights under any such awards granted under the Incentive Plan shall be assignable or transferable.

The Board may at any time, in its sole and absolute discretion and without the approval of Shareholders, amend, suspend, terminate or discontinue the Incentive Plan and may amend the terms and conditions of any grants thereunder, subject to (a) any required approval of any applicable regulatory authority or the Exchange; and (b) approval of our Shareholders as required by the rules of the Exchange or applicable law, provided that Shareholder approval shall not be required for the following amendments and the Board may make changes which may include but are not limited to: (i) amendments of a "housekeeping nature"; (ii) any amendment for the purpose of curing any ambiguity, error or omission in the Incentive Plan or to correct or supplement any provision of the Incentive Plan that is inconsistent with any other provision of the Incentive Plan; (iii) an amendment which is necessary to comply with applicable law or Exchange requirements; (iv) amendments respecting administration and eligibility for participation under the Incentive Plan; (v) changes to terms and conditions on which awards may be or have been granted pursuant to the Incentive Plan, including changes to the vesting provisions and terms of any awards; (vi) amendments which alter, extend or accelerate the terms of vesting applicable to any award; and (vii) changes to the termination provisions of an award or the Incentive Plan which do not entail an extension beyond the original fixed term. If the Incentive Plan is terminated, prior awards shall remain outstanding and in effect in accordance with their applicable terms and conditions. The Board may waive any conditions or rights under, or amend any terms of, any awards, provided that no such amendment or alteration shall be made which would impair the rights of any participant, without such participant's consent, unless the Board determines that such amendment or alteration either: (i) is required or advisable in order to conform to any law, regulation or accounting standard; or (ii) is not reasonably likely to diminish the benefits provided under such award.

Restricted Share Units. The Incentive Plan provides that the Board may, from time to time, in its sole discretion, grant awards of RSUs to directors and key employees. Each RSU shall represent one Share. RSUs shall be subject to such restrictions as the Board may establish in the applicable award agreement. All RSUs will vest and become payable by the issuance of Shares at the end of the applicable restriction period if all applicable restrictions have lapsed. Restrictions on any RSUs shall lapse immediately and become fully vested in the participant upon a change of control. Upon the death of a participant, subject to the applicable award agreement, any RSUs that have not vested will be immediately forfeited and cancelled without payment, provided that any RSUs granted to such participant that had vested prior to the participant's death will accrue to the participant's estate in accordance with the Incentive Plan. If a participant's employment is terminated for cause, any RSUs granted to the participant will immediately terminate without payment and be cancelled as of the termination date. If a participant's employment is terminated without cause, is voluntarily terminated by the participant or termination is due to the participant's retirement or disability, any RSUs granted to the participant will, subject to the applicable award agreement, immediately terminate without payment and be cancelled as of the termination date, provided, however, that any RSUs granted to such participant that had vested prior to the participant's termination without cause, voluntary termination, retirement or disability will accrue to the participant in accordance with the Incentive Plan. No RSUs may be redeemed by a participant at any time during a leave of absence. In the case of directors, if a participant ceases to be a director for any reason, RSUs granted to such participant will immediately terminate without payment and be cancelled, provided, however, that any RSUs granted to such participant that had vested prior to the participant ceasing to be a director will accrue to the participant in accordance with the Incentive Plan.

Performance Share Units. The Incentive Plan provides that the Board may, from time to time, in its sole discretion, grant awards of PSUs to key employees. Each PSU shall, contingent upon the attainment of the performance criteria within the applicable performance cycle, represent one Share. The performance criteria will be established by the Board which, without limitation, may include criteria based on the participant's individual performance and/or our and our subsidiaries' financial performance, which will determine vesting of the PSUs. The Board may, in its sole discretion, revise the performance criteria during a performance cycle or after it has ended, if unforeseen events occur, including, without limitation, changes in capitalization, equity restructuring, acquisitions or divestitures, if such events have a substantial effect on our financial results and make the application of the performance criteria unfair absent a revision.

All PSUs will vest and become payable to the extent that the performance criteria are satisfied in the sole determination of the Board. PSUs granted to a participant shall become fully vested and payable to such participant within 95 days after the last day of the performance cycle or upon a change of control. Upon the death of a participant, subject to the applicable award agreement, all PSUs granted to the participant which, prior to the participant's death, had not vested, will immediately be forfeited and cancelled without payment, provided, however, that the Board may determine, in its discretion, the number of the participant's PSUs that will vest based upon the extent to which the applicable performance criteria have been satisfied in that portion of the performance cycle that has lapsed. If a participant's employment is terminated for cause, any PSUs granted to the participant will immediately terminate without payment and be cancelled as of the termination date. If a participant's employment is terminated without cause, by voluntary termination, or if the participant's employment terminates due to retirement or disability, all PSUs granted to the participant which, prior to such termination without cause, voluntary termination, retirement or disability, had not vested, will immediately be forfeited and cancelled without payment, provided, however, that the Board may determine, in its discretion, the number of the participant's PSUs that will vest based upon the extent to which the applicable performance criteria have been satisfied in that portion of the performance cycle that has lapsed. No PSUs may be redeemed by a participant at any time during a leave of absence.

Deferred Share Units. The Incentive Plan provides that the Board may, from time to time, in its sole discretion, grant awards of DSUs to directors in lieu of director fees. Directors may also elect to receive any or all of their fees in DSUs in lieu of cash. A director becomes a participant effective as of the date he or she is first appointed or elected as a director and ceases to be a participant at the time he ceases to be a director for any reason. The number of DSUs to be granted to a participant shall be calculated by dividing the amount of fees by the market price on the grant date.

Each participant shall be entitled to receive, subsequent to the effective date that the participant ceases to be a director for any reason, either (a) that number of Shares equal to the number of DSUs granted to such participant; or (b) a cash payment in an amount equal to the market price of the DSUs granted to such participant on the trading day following the day that the participant ceases to be a director, net of applicable withholdings, and subject to adjustments if the value of a DSU is determined during applicable black-out periods. Upon the death of a participant, such participant's estate shall be entitled to receive, within 120 days, a cash payment or Shares that would otherwise have been payable upon such participant ceasing to be a director.

Options. The Incentive Plan provides that the Board may, from time to time, in its discretion, grant awards of options to directors, key employees and consultants. The number of options to be granted, the exercise price and the time(s) at which an option may be exercised shall be determined by the Board in its sole discretion, provided that the exercise price of options shall not be lower than the exercise price permitted by the Exchange, and further provided that the term of any option shall not exceed ten years. So long as it may be required by the rules and policies of the Exchange, options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares in any twelve-month period to any one consultant or to key employees conducting investor relations activities.

In the event of a change of control, each outstanding option shall automatically become fully and immediately vested and exercisable, subject to the policies of the Exchange. Upon the death of an optionee, any option held by such optionee shall be exercisable by the person(s) to whom the rights of the optionee under the option shall pass by will or the laws of descent and distribution for a period of 120 days or prior to the expiration of the option period in respect of the option, whichever is sooner, and then only to the extent that such optionee was entitled to exercise the option at the date of death of such optionee. If an optionee shall cease to be an eligible person for cause, no option

held shall be exercisable following the date on which such optionee ceases to be an eligible person. If an optionee ceases to be an eligible person by reason of termination without cause, by voluntary termination or in the case of retirement, subject to the applicable award agreement, any option held shall remain exercisable in full for a period of 60 days after the date on which the optionee's employment is terminated without cause, voluntarily or due to retirement or prior to the expiration of the option period in respect of the option, whichever is sooner, and then only to the extent that such optionee was entitled to exercise the option at such time. If an optionee becomes afflicted by a disability, all options granted to the optionee will continue to vest in accordance with the terms of such options. Where a participant's employment is terminated due to disability, subject to the applicable award agreement, any option held by such optionee shall remain exercisable for a period of 120 days after the date of termination due to disability of the optionee or prior the expiration of the option period in respect of the option, whichever is sooner, and then only to the extent that such optionee was entitled to exercise the option at the date of termination.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at December 31, 2016, no individual who is or was our director, executive officer or employee or a director, executive officer or employee of any of our subsidiaries, and no proposed Nominee for election as our director or any associate of such director or officer, is, or was at the end of the most recently completed financial year, indebted to us or any of our subsidiaries since the beginning of our most recently completed financial year, or is or has been indebted to another entity that is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by us or any of our subsidiaries during that period.

MANAGEMENT CONTRACTS

To the best of the knowledge of our directors and executive officers, our management functions are not, to any substantial degree, performed by any person other than our directors and senior officers.

AUDIT COMMITTEE

For information regarding the Audit Committee, refer to our annual information form for the year ended December 31, 2016 (the "AIF"), under the heading "*Audit Committee Disclosure*". The AIF is available under our profile on SEDAR at www.sedar.com.

CORPORATE GOVERNANCE

Board of Directors

Our directors are responsible for managing and supervising the management of the business and affairs of our Company. Each year, the Board must review the relationship that each director has with us in order to satisfy itself that the relevant independence criteria have been met. A majority of our directors are "independent" within the meaning set out in NI 52-110.

Other than interests arising from shareholdings in Conifex, and other than as set forth herein, all of our directors are independent in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as our directors. Messrs. Shields and Bell are, or were within the past three years, our executive officers and therefore not independent. Mr. Shields is currently our Chief Executive Officer and President. Mr. Bell was our Executive Vice-President until his resignation in January 2015.

In order to facilitate its exercise of independent judgment in carrying out its responsibilities, the Board may establish informal committees on an as needed basis consisting solely of independent directors to consider certain matters to be considered by the Board. The Board, or any committee, may also seek advice from outside advisors. The Board also follows a practice whereby any director who has an interest in a matter that the Board is considering will either abstain from voting on the matter or exit the Board meeting.

The following directors of Conifex hold directorship(s) in other reporting issuer(s) as set out below:

Name of Director	Name of Other Reporting Issuer
Pat Bell	Gold Reach Resources Ltd.
James Dai ⁽¹⁾	DXI Energy Inc.

Note:

(1) Mr. Dai is not standing for re-election as a director, and therefore his tenure will terminate at the Meeting.

The independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, in order to facilitate open and candid discussion among independent directors, communication among the independent directors also occurs on an informal and ongoing basis as such need arises.

The Board does not have a Chairman independent of management. Mr. Shields, the Chairman of the Board, is also our Chief Executive Officer and President. The Board believes that this structure best reflects our entrepreneurial leadership. The Board is satisfied that the autonomy of the Board and its ability to function independently of management are protected through measures such as the Audit Committee and the CGHR Committee being composed entirely of independent directors. In order to provide leadership for its independent directors, Mr. Malpass was appointed as our independent lead director. In addition, the independent members of the Board meet separately from the non-independent members and the Board encourages its independent members to seek the advice of financial, legal or other advisors when necessary. We have adopted written position descriptions for the Chief Executive Officer, Chairman and the lead director, each of which are contained in our Corporate Governance Guidelines and which can be found online at our website at www.conifex.com.

Board committees assist in the effective functioning of the Board. The Board has three committees: the Audit Committee, the CGHR Committee and the EHS Committee. Each of the Audit, CGHR and EHS Committees operate under written Terms of Reference contained in our Corporate Governance Guidelines and which can be found online at our website at www.conifex.com. The Chair of each committee follows the Terms of Reference for its respective committee. We have not developed a separate written position description for committee Chairs. The Audit Committee and the CGHR Committee are comprised entirely of independent directors, which helps ensure that the views of the independent directors are effectively presented on these committees. Currently, one-third of the EHS Committee is comprised of independent directors. However, we believe that the composition of the EHS Committee, including the past experience of its members, is best suited to fulfill the role of the committee in accordance with its charter. Special committees may be formed from time to time as required to review particular matters or transactions.

The Audit Committee is appointed by the Board to assist in monitoring: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; and (iii) the qualification, appointment, independence and performance of our external auditor and senior financial executives.

The following are the members of the Audit Committee:

Michael Costello (Chair);
George Malpass; and
David E. Roberts.

The CGHR Committee acts in an advisory capacity to the Board with respect to governance and nominating matters. Additionally, with respect to compensation and human resources matters, the CGHR Committee shall (a) discharge the Board's responsibilities relating to compensation of our directors and officers, and (b) oversee the performance and development of our senior executives. The CGHR Committee has overall responsibility for approving and evaluating our director and officer compensation plans, policies and programs. The CGHR Committee is responsible for reviewing the performance of senior executives and approving succession planning.

The following are the members of the CGHR Committee:

David E. Roberts (Chair);
George Malpass; and
Michael Costello.

The CGHR Committee is also responsible for assisting the Board to fulfill its duty to meet applicable legal, regulatory and (self-regulatory) business principles and "codes of best practice" of corporate behavior and conduct.

The EHS Committee is responsible for reviewing on behalf of the Board the policies and processes implemented by management, and the resulting impact and assessments of all of our health, safety and environmental related activities.

The following are the current members of the EHS Committee:

Pat Bell (Chair);
Kenneth A. Shields; and
Tom Reed.

Meeting Attendance Report

The following chart sets out meeting attendance records for each director in 2016, including each committee of which the director is a member.

Director	Board Meetings	Committee		
		Audit	CGHR	EHS
Kenneth A. Shields	12/12	-	-	4/4
David E. Roberts	12/12	4/4	6/6	-
George Malpass	12/12	4/4	6/6	-
Jim Jia	10/12	-	-	-
John Bae ⁽¹⁾	5/6	-	-	2/2
Michael Costello	12/12	4/4	6/6	-
Pat Bell	12/12	-	-	4/4
Tom Reed ⁽²⁾	9/10	-	-	2/2
James Dai ⁽³⁾⁽⁴⁾	5/5	-	-	-

Notes:

- (1) Mr. Bae resigned as a member of the Board and its committees effective June 20, 2016. The foregoing table reflects Mr. Bae's attendance at the meetings of the Board and the EHS Committee up to June 20, 2016.
- (2) Mr. Reed was appointed to the Board on February 22, 2016 and became a member of the EHS Committee on June 20, 2016. The foregoing reflects Mr. Reed's attendance at the meetings of the Board from February 22, 2016 and the EHS Committee from June 20, 2016.
- (3) Mr. Dai was appointed to the Board on June 20, 2016. The foregoing reflects Mr. Dai's attendance at the meetings of the Board on or after June 20, 2016.
- (4) Mr. Dai is not standing for re-election as a director, and therefore his tenure will terminate at the Meeting.

Orientation and Continuing Education

New directors receive a package of materials that generally provides both historical and forward-looking information about us, the Board and committees, our industry, senior management and our strategic objectives.

The Board does not have a formal continuing education program, but instead provides education for its directors as such need arises. Our directors are experienced in boardroom procedure and corporate governance and regularly

share their experiences with other members of the Board, which assists the Board in identifying and adopting, on a continuing basis, best corporate practices and identifying any continuing education programs that could be relevant.

Ethical Business Conduct

We have adopted a Code of Business Conduct and Ethics (the "**Code**"), which is available on our website at www.conifex.com. The Code sets out the principles that should guide the behavior of our directors, officers and employees. The Code addresses issues such as:

- (a) conflicts of interest;
- (b) public filings and communications;
- (c) accounting, record keeping and personal transactions;
- (d) relations with our auditor;
- (e) compliance with laws, rules and regulations;
- (f) insider trading;
- (g) corporate opportunities;
- (h) discrimination and harassment;
- (i) health and safety;
- (j) environmental protection;
- (k) protection and proper use of our assets; and
- (l) procedures for reporting concerns.

The Chair of the CGHR Committee is responsible for collecting accounts of possible violations of the Code and referring them to the appropriate director of the Audit Committee for review. The status of all active concerns is reported to the Board on a quarterly basis. All of our directors and senior officers periodically confirm compliance with the Code.

To ensure our directors exercise independent judgment in considering transactions, agreements or decisions in respect of which a director or executive officer has declared a material personal interest (in accordance with relevant corporate law requirements), the Board follows a practice whereby any such Board member removes himself during any related Board discussion and does not cast a vote on any such matter. Significant contracts that may be deemed to pose a conflict may also be reviewed and approved by the Audit Committee.

Nomination of Directors

The CGHR Committee is responsible for advising the Board with respect to the filling of vacancies on the Board and making recommendations as to nominees for the Board. The CGHR Committee uses an informal consultative process for identifying new candidates.

The CGHR Committee analyzes the needs of the Board when vacancies arise and identifies and proposes new nominees who have the necessary competencies and characteristics to meet such needs. Factors the CGHR Committee considers include experience, industry knowledge, financial literacy, board diversity (including gender diversity), board renewal considerations and personal characteristics. New candidates are introduced to the Board by members of the CGHR Committee.

In order to foster an objective nomination process, the independent members of the Board are encouraged to recommend nominees for the Board.

Compensation

The CGHR Committee was also appointed by the Board to, among other things, discharge the Board's responsibilities relating to compensation of our directors and officers. The CGHR Committee periodically reviews the adequacy and form of compensation to ensure that it realistically reflects the responsibilities and risks involved in being an effective director or officer and that such compensation allows us to attract qualified candidates. Such review includes an examination of publicly available data as well as independent compensation surveys.

The CGHR Committee annually reviews, evaluates and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer's performance in light of those goals and objectives and recommends to the Board the Chief Executive Officer's compensation level based on this evaluation. The CGHR Committee reviews and recommends to the Board's executive officer (including Chief Executive Officer) compensation, including: salary, bonus and incentive compensation levels; deferred compensation; executive perquisites; equity compensation (including awards to induce employment); severance arrangements; change-in-control benefits and other forms of executive officer compensation. The CGHR Committee meets without the presence of executive officers when approving Chief Executive Officer compensation but may invite the Chief Executive Officer to be present during approval of other executive officer compensation.

In order to ensure an objective process for determining compensation, the CGHR Committee may review independent materials such as pay survey data and industry reports. The CGHR Committee may benchmark against other companies in the same industry using peer group studies compiled for the CGHR Committee. In 2016, we used West Fraser Timber Co. Ltd., Canfor Corporation, Interfor Corporation and Western Forest Products Inc. as our comparator group. The basis for the selection of the comparator group included operations within the same industry, ownership of similar assets, operations in the same or similar geographical regions, availability of relevant information and working knowledge and familiarity of company size and scope.

The CGHR Committee may also consult with outside, independent, compensation advisory firms, if deemed necessary.

Assessments

The Board is responsible for keeping management informed of its evaluation of our performance and the performance of our senior officers in achieving and carrying out the Board's established goals and policies, and is also responsible for advising management of any remedial action or changes which it may consider necessary. Additionally, directors are expected to devote the time and attention to our business and affairs as necessary to discharge their duties as directors effectively.

The Board does not have a formal process to monitor the effectiveness of the Board, its committees and individual members, but rather relies on an informal review process. In order to gauge performance, the Board considers the following principal factors:

- (a) input from directors, where appropriate;
- (b) attendance of directors at meetings of the Board and any committee;
- (c) the charter of each committee;
- (d) balancing continuity and experience with board renewal considerations; and
- (e) the competencies and skills each individual director is expected to bring to the Board and each committee.

Board Renewal

We do not have a mandatory retirement age or limit on the number of terms that a director may serve. The Board recognizes the value of board renewal and the perspectives that new directors can bring, and considers these factors when nominating candidates for directorship and conducting assessments of the Board's performance. The Board balances these interests against the value of having members with company and industry-specific knowledge that can be gained through continuous service.

Gender Diversity

We value the benefits that having a diverse board and management team can provide to our decision making process and value provided to Shareholders. The CGHR Committee takes gender diversity into account as part of its selection process for director nominees and filling Board vacancies. Similarly, gender diversity is one of several important factors considered when hiring and promoting candidates for management positions.

We have not adopted a written policy relating to the identification and nomination of women directors or established specific targets for the number of women on the Board or in executive officer positions. We believe that gender diversity is an important factor when identifying candidates for director or executive officer positions and, to that end, encourage women to apply for open positions. We, however, evaluate gender diversity as one of a variety of factors when considering a candidate, including their skills, expertise, experience and personal characteristics, with the ultimate priority being to ensure candidates bring value to us and our Shareholders.

The Board currently has one female director. Additionally, two of our executive officers are women, including our Chief Financial Officer, representing an aggregate of approximately 30% of our total executive officers.

Majority Voting Policy

In 2015, the Board adopted a majority voting policy on the recommendation of the CGHR Committee. Under the policy, any director who receives more "withheld" votes than "for" votes in an uncontested election (*i.e.*, an election where there are not more nominees than the number of Board seats available) will be required to tender his or her resignation to the Board. The resignation will be effective when accepted by the Board, and any director tendering such a resignation will not be permitted to participate in Board or committee deliberations regarding the resignation. The CGHR Committee will consider the resignation and make its recommendation to the Board on whether or not to accept the resignation. The CGHR Committee expects to recommend any such tendered resignation for acceptance, and the Board expects to accept such a resignation. The Board will announce its decision (including any reasons for not accepting a resignation) by way of a news release within 90 days of the date of the meeting at which the election occurred.

APPOINTMENT OF AUDITOR

Our management will recommend at the Meeting that Shareholders appoint PricewaterhouseCoopers LLP, Chartered Professional Accountants, as our auditor until the next annual meeting of Shareholders and to authorize the directors to fix their remuneration.

The Board recommends that you vote FOR the resolution appointing PricewaterhouseCoopers LLP, Chartered Professional Accountants, as our auditor and authorizing the Board to fix their remuneration.

PARTICULARS OF MATTERS TO BE ACTED UPON

Amendment to the Rights Plan

The Rights Plan was approved by the Board on May 13, 2013, and was ratified by our Shareholders at the annual and special meeting of Shareholders on June 25, 2013. At the annual and special meeting of Shareholders on June 20, 2016, the Shareholders renewed the Rights Plan for a further three years on substantially the same terms, subject to certain modifications in keeping with amendments to the take-over bid regime in Canada approved by the Canadian Securities Administrators.

Pursuant to the Rights Plan, one right attached to each of our outstanding Shares and one right will attach to any of our Shares issued during the term of the Rights Plan. Subject to the terms of the Rights Plan, including certain exceptions provided therein, the Rights Plan currently provides that rights become exercisable in the event that any person, together with any joint actors, acquires or announces its intention to acquire 20% or more of our outstanding Shares. It is proposed that the Rights Plan be amended at the Meeting to increase the Threshold Amount from 20% to 25%, in which case, subject to the terms of the Rights Plan and to certain exceptions provided therein, the rights will become exercisable in the event that any person, together with any joint actors, acquires or announces its intention to acquire 25% or more of our outstanding Shares. The form of the proposed amended Rights Plan is attached to this Information Circular as Appendix "B".

To be effective, the resolution must be passed by a majority of votes cast by the Shareholders present in person or by proxy at the Meeting. The text of the ordinary resolution to confirm the amendment to the Rights Plan is set out in Appendix "A" hereto.

The Toronto Stock Exchange has conditionally accepted our notice of the amendment to the Rights Plan. Formal approval of the Toronto Stock Exchange is subject to customary conditions, including Shareholder approval of the amendment to the Rights Plan at the Meeting.

See also "*Interest of Informed Persons in Material Transactions*" below.

The Board recommends that you vote FOR the resolution approving the amendment to our Rights Plan.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed herein, no director or executive officer or any of their associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of Shares or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of our auditor.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of Conifex, proposed nominees for election as our director, nor any associate or affiliate of such informed person or proposed nominees, has any material interest, direct or indirect, in any transaction since the commencement of our most recently completed financial year or in any proposed transaction which has materially affected or will materially affect us or any of our subsidiaries, except any interest arising from the ownership of Shares where such person or company will receive no extra or special benefit or advantage not shared on a *pro rata* basis by all holders of the same class of Shares who are resident in Canada.

In March 2017, one of our existing Shareholders, Polar Asset Management Partners Inc. ("**Polar**"), which controlled or directed in excess of 10% of our common Shares, subscribed for 1.6 million common shares pursuant to a private placement of Shares at a price of \$3.05 per Share (the "**Private Placement**"). Following completion of the Private Placement, based on public information, Polar had control or direction over 21.33% of our outstanding Shares. In accordance with the terms of the Rights Plan, the Board approved the Private Placement as an "Exempt Acquisition", pursuant to which we may permit a person to become the beneficial holder of up to 25% of our outstanding Shares, based on the number of Shares outstanding immediately before a private placement, without becoming an "Acquiring Person", as defined in and for the purposes of the Rights Plan.

For the purposes of this Information Circular, an "informed person" means (i) any of our directors or officers; (ii) a director or officer of a person or company that is itself an informed person; or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over our voting securities carrying more than 10% of the voting rights attaching to all our outstanding voting securities.

REGISTRAR AND TRANSFER AGENT

Our registrar and transfer agent is Computershare Investor Services Inc., 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

OTHER BUSINESS

Our management knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. However, if any other matter(s) which are not known to our management shall properly come before the Meeting, the Proxy given pursuant to the solicitation by our management will be voted on such matter(s) in accordance with the best judgment of the person(s) voting the Proxy.

SHAREHOLDER PROPOSALS

The final date by which we must receive any proposals for any matter that a person entitled to vote at an annual meeting of Shareholders proposes to raise at the next annual meeting of Shareholders is February 17, 2018, subject to the requirements of the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44.

ADDITIONAL INFORMATION

Additional information relating to us is available on SEDAR at www.sedar.com. Shareholders may contact us to request copies of our financial statements and management's discussion and analysis by sending a written request to 980-700 West Georgia Street, Vancouver, British Columbia V7Y 1B6, Attention: Chief Financial Officer. Financial information is provided in our comparative financial statements and management's discussion and analysis for our fiscal year ended December 31, 2016, which are also available on SEDAR.

APPROVAL OF INFORMATION CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by our directors.

DATED at Vancouver, British Columbia, Canada, as of the 18th day of May, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS OF
CONIFEX TIMBER INC.**

/s/ Kenneth A. Shields

Kenneth A. Shields
Chairman, Chief Executive Officer and President

APPENDIX "A"

RESOLUTIONS TO AMEND SHAREHOLDER RIGHTS PLAN

Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to those terms in the management information circular dated May 18, 2017 (the "**Information Circular**").

"**BE IT RESOLVED** as an ordinary resolution that:

- (1) the Rights Plan of the Company be amended and the amended Rights Plan (the "**Amended Rights Plan**"), in the form substantially set forth in Appendix "B" to the Information Circular, be, and is hereby, adopted and approved;
- (2) any officer or director of the Company is hereby authorized and directed, for and on behalf of the Company to execute and deliver, under the corporate seal of the Company or otherwise, the Amended Rights Plan and all certificates, directions, notices, acknowledgements, receipts, documents, agreements and instruments and to do or cause to be done all such other acts and things as such director or officer of the Company shall determine to be necessary or desirable in order to carry out the intent of this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents or instruments or the doing of any such act or thing; and
- (3) notwithstanding that these resolutions have been duly passed by the holders of the outstanding Shares of the Company, the directors of the Company are hereby authorized and empowered, if they decide not to proceed with any of the actions contemplated in the foregoing resolutions, to revoke these resolutions at any time prior to receipt of final Toronto Stock Exchange approval of the Amended Rights Plan, without further notice to, or approval of the holders of the Shares."

APPENDIX "B"

FORM OF AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN

Please see attached.



CONIFEX

**AMENDED AND RESTATED
SHAREHOLDER RIGHTS PLAN AGREEMENT
BETWEEN
CONIFEX TIMBER INC.
AND
COMPUTERSHARE INVESTOR SERVICES INC.
June 20, 2017**

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AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

THIS AGREEMENT is dated effective the 20th day of June, 2017, between:

CONIFEX TIMBER INC., a corporation incorporated pursuant to the *Canada Business Corporations Act* (the "**Corporation**")

- and -

COMPUTERSHARE INVESTOR SERVICES INC., a corporation incorporated under the laws of Canada (the "**Rights Agent**").

WHEREAS:

- A. The Board (as defined herein) has determined that it is advisable that the Corporation amend the Amended and Restated Rights Plan (as defined herein) initially approved by the shareholders of the Corporation on June 20, 2016, to ensure, to the extent possible, that (a) all shareholders of the Corporation are treated fairly and equally in connection with any take-over offer for the Corporation or other acquisition of control of the Corporation and that (b) the Board is provided with sufficient time to evaluate take-over bids and to explore and develop alternative transactions to maximize shareholder value (the "**Rights Plan**");
- B. In order to implement the Rights Plan, the Board has:
 - (a) authorized and declared a distribution of one Right effective at the Close of Business at the Record Time in respect of each Common Share outstanding at the Close of Business at the Record Time;
 - (b) authorized the issuance of one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time; and
 - (c) authorized the issuance of Rights Certificates to holders of Rights pursuant to the terms and subject to the conditions set forth herein;
- C. Each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth herein; and
- D. The Rights Agent has agreed to act on behalf of the Corporation in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to herein.

NOW THEREFORE, in consideration of the premises and respective covenants and agreements set forth herein, the parties hereby agree as set forth below.

ARTICLE 1.
INTERPRETATION

1.1 Certain Definitions

For the purposes of this agreement, including the recitals hereto, the terms set forth below have the meanings indicated.

(a) "**Acquiring Person**" means any Person who is the Beneficial Owner of 25% or more of the outstanding Common Shares, but does not include:

- (i) the Corporation or any Subsidiary of the Corporation;
- (ii) any Person who becomes the Beneficial Owner of 25% or more of the outstanding Common Shares as a result of one or any combination of:
 - (A) a Common Share Reduction,
 - (B) a Permitted Bid Acquisition,
 - (C) an Exempt Acquisition,
 - (D) a Pro Rata Acquisition, and
 - (E) a Convertible Security Acquisition,

provided, however, that if a Person shall become the Beneficial Owner of 25% or more of the outstanding Common Shares by reason of one or any combination of a Common Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition and a Pro Rata Acquisition, and thereafter becomes the Beneficial Owner of more than an additional 1.0% of the number of Common Shares outstanding (otherwise than pursuant to one or any combination of a Common Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition or a Pro Rata Acquisition or any combination thereof), then, as of the date that such Person becomes a Beneficial Owner of such additional Common Shares, such Person shall become an "**Acquiring Person**";

- (iii) for the period of 10 days after the Disqualification Date (as hereinafter defined), any Person who becomes the Beneficial Owner of 25% or more of the outstanding Common Shares as a result of such Person becoming disqualified from relying on Clause 1.1(d)(ii)(B) where such disqualification results solely because such Person is making or has announced a current intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person(s), unless such disqualified Person during such 10 day period acquires more than 1.0% of the number of Common Shares then outstanding in addition to those

Common Shares such disqualified Person already holds. For the purposes of this definition, **"Disqualification Date"** means the first date of public announcement (which, for the purposes of this definition, shall include, without limitation, a report asserting such facts filed pursuant to National Instrument 62-103 – *The Early Warning System and related Take-over Bid and Insert Reporting Issues*) that such Person is making or intends to make a Take-over Bid, either alone or by acting jointly or in concert with another Person;

- (iv) an underwriter or a member of a banking or selling group that becomes the Beneficial Owner of 25% or more of the Common Shares in connection with a distribution of securities pursuant to an underwriting agreement with the Corporation; or
- (v) a Grandfathered Person; provided, however, that this exemption shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Record Time: (1) cease to own 25% or more of the outstanding Common Shares; or (2) become the Beneficial Owner of more than 1.0% of the number of Common Shares then outstanding in addition to those Common Shares such Person already holds (other than through any one or any combination of a Common Share Reduction, Permitted Bid Acquisition, Exempt Acquisition, a Convertible Security Acquisition or Pro Rata Acquisition).
- (b) **"Affiliate"**, when used to indicate a relationship with a specified company or corporation, means a Person that directly, or indirectly, controls, or is controlled by, or is under common control with, such specified company or corporation.
- (c) **"Amended and Restated Rights Plan"** means the shareholder rights plan agreement between the Corporation and the Rights Agent dated June 20, 2016.
- (d) **"Associate"**, when used to indicate a relationship with a specified Person, means any relative of such specified Person who has the same home as such specified Person, or any person to whom such specified Person is married, or any person with whom such specified Person is living in a conjugal relationship outside marriage, or any relative of such spouse or other Person who has the same home as such specified Person, or a child of such specified Person.
- (e) (i) A Person shall be deemed the **"Beneficial Owner"** of, and to have **"Beneficial Ownership"** of, and to **"Beneficially Own"**:
 - (A) any securities of which such Person or any of such Person's Affiliates or Associates is the owner at law or in equity;
 - (B) any securities of which such Person or any of such Person's Affiliates or Associates has the right to acquire within 60 days (whether such right is exercisable immediately or within a period of 60 days thereafter and whether or not on the condition or occurrence of a contingency or the making of one or more

payments) upon the conversion, exchange or exercise of any Convertible Security or pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing, other than:

- (1) customary agreements with and between underwriters and banking group or selling group members with respect to a distribution of securities, and
 - (2) pledges of securities in the ordinary course of the pledgee's business; and
- (C) any securities that are Beneficially Owned within the meaning of Clauses 1.1(d)(i)(A) or 1.1(d)(i)(B) by any other Person with which such Person is acting jointly or in concert with respect to the Corporation or any of its securities.
- (ii) Notwithstanding the provisions of Clause 1.1(d)(i), a Person shall not be deemed the "**Beneficial Owner**" of, or to have "**Beneficial Ownership**" of, or to "**Beneficially Own**", any security because:
- (A)
 - (1) the holder of such security has agreed to deposit or tender such security to a Take-over Bid made by such Person or any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(d)(i)(C) pursuant to a Permitted Lock-up Agreement, but only until such time as the deposited or tendered security has been taken up or paid for, whichever shall first occur, or
 - (2) such security has been deposited or tendered pursuant to a Take-over Bid made by such Person or any of such Person's Affiliates or Associates or made by any other Person acting jointly or in concert with such Person until such deposited or tendered security has been taken up or paid for, whichever shall first occur;
 - (B) such Person, any Affiliate or Associate of such Person or any other Person acting jointly or in concert with such Person holds such security, provided that:
 - (1) the ordinary business of such Person (the "**Portfolio Manager**") includes the management or administration of investment funds for other Persons and such security is held by the Portfolio Manager in the ordinary course of such business in the performance of the Portfolio Manager's duties for the account of any other Person (a "**Client**"), including non-discretionary accounts held on behalf of a Client by a broker or dealer appropriately registered under applicable law,

- (2) the ordinary business of such Person (the "**Fund Manager**") is manager or trustee of one or more mutual funds registered or qualified to issue its securities under the laws of Canada or any province thereof (each, a "**Mutual Fund**"), or is a Mutual Fund, and holds such security for the purposes of its activity as such Fund Manager or Mutual Fund,
- (3) such Person (the "**Trust Company**") is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each, an "**Estate Account**") or in relation to other accounts (each, an "**Other Account**") and holds such security in the ordinary course of such duties for such Estate Accounts or for such Other Accounts,
- (4) such Person (the "**Statutory Body**") is an independent Person established by statute for purposes that include, and the ordinary business or activity of such Person includes, the management of investment funds for employee benefit plans, pension plans, insurance plans, or various public bodies and the Statutory Body,
- (5) the ordinary business of such Person includes acting as an agent of the Crown in the management of public assets (the "**Crown Agent**") or
- (6) such Person (the "**Plan Administrator**") is the administrator or the trustee of one or more pension funds or plans registered under the laws of Canada or any province thereof (each, a "**Plan**"), or is a Plan and holds such security for the purposes of its activity as such Plan Administrator or Plan,

provided, however, that in any of the foregoing cases, the Portfolio Manager, the Fund Manager, the Mutual Fund, the Trust Company, the Statutory Body, the Crown Agent, the Plan Administrator or the Plan, as the case may be, is not then making or has not then announced a current intention to make, a Take-over Bid, other than an Offer to Acquire Common Shares or other securities pursuant to a distribution by the Corporation, a Permitted Bid or by means of ordinary market transactions (including pre-arranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over-the-counter market in respect of securities of the Corporation, alone or by acting jointly or in concert with any other Person;

- (C) such Person is a Client of the same Portfolio Manager as another Person on whose account the Portfolio Manager holds such security, or because such Person is an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security or because such Person is a Plan with the same Plan Administrator as another Plan on whose account the Plan Administrator holds such security;
- (D) such Person is a Client of a Portfolio Manager and such security is owned at law or in equity by the Portfolio Manager or because such Person is an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company or such Person is a Plan and such security is owned at law or in equity by the Plan Administrator of such Plan;
or
- (E) such Person is the registered holder of securities as a result of carrying on the business, or acting as a nominee of, a securities depository.

For the purposes of this Agreement, in determining the percentage of the outstanding Common Shares with respect to which a Person is or is deemed to be the Beneficial Owner, any unissued Common Shares as to which such Person is deemed the Beneficial Owner pursuant to this Subsection 1.1(d) shall be deemed outstanding.

- (f) "**Board**" means, at any time, the duly constituted board of directors of the Corporation.
- (g) "**Business Day**" means any day, other than a Saturday or Sunday or a day on which banking institutions in Vancouver, British Columbia are authorized or obligated by law to close.
- (h) "**Canadian Dollar Equivalent**" of any amount which is expressed in United States dollars means on any day, the Canadian dollar equivalent of such amount determined by reference to the U.S. - Canadian Exchange Rate in effect on such date.
- (i) "**Close of Business**" on any given date means the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal office of the transfer agent for the Common Shares in Vancouver, British Columbia (or after the Separation Time, the principal office of the Rights Agent in Vancouver, British Columbia) is closed to the public.
- (j) "**Closing Price**" per security of any securities on any date of determination means:
 - (i) the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each of such securities as

reported by the principal stock exchange or national securities quotation system on which such securities are listed or admitted to trading (provided that, if at the date of determination such securities are listed or admitted to trading on more than one stock exchange or national securities quotation system, then such price or prices shall be determined based upon the stock exchange or quotation system on which such securities are then listed or admitted to trading on which the largest number of such securities were traded during the most recently completed calendar year);

- (ii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a stock exchange or a national securities quotation system, then the last sale price, or in case no sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over-the-counter market, as quoted by any reporting system then in use; or
- (iii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a stock exchange or a national securities quotation system or quoted by any such reporting system, then the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected in good faith by the Board,

provided, however, that (A) if for any reason none of such prices are available on such date, then the "**Closing Price**" per security of such securities on such date shall mean the fair value per security of the securities on such date as determined by a nationally or internationally recognized investment dealer or investment banker selected in good faith by the Board with respect to the fair value per security of such securities, and (B) if the Closing Price so determined is expressed in United States dollars, then such amount shall be converted to the Canadian Dollar Equivalent.

- (k) "**Co-Rights Agents**" has the meaning ascribed thereto in Subsection 4.1(a).
- (l) "**Common Share Reduction**" means an acquisition or redemption by the Corporation or a Subsidiary of the Corporation of Common Shares and/or Convertible Securities which, by reducing the number of Common Shares and/or Convertible Securities outstanding, increases the percentage of Common Shares Beneficially Owned by any Person.
- (m) "**Common Shares**" means the common shares in the share capital of the Corporation.
- (n) "**Competing Permitted Bid**" means a Take-over Bid that:
 - (i) is made after another Permitted Bid has been made and prior to the expiry, termination or withdrawal of such Permitted Bid;

- (ii) satisfies all components of the definition of a Permitted Bid other than the requirement set forth in Subclause 1.1(II)(ii)(A)(1); and
- (iii) contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, an irrevocable and unqualified conditions that no Common Shares and/or Convertible Securities shall be taken up or paid for pursuant to such Take-over Bid prior to the Close of Business on a date that is no earlier than the later of:
 - (A) 35 days after the date of such Take-over Bid, and
 - (B) the earliest date on which Common Shares may be taken up or paid for under any other Permitted Bid that preceded the Competing Permitted Bid that is then in existence for the Common Shares,

provided that a Competing Permitted Bid will cease to be a Competing Permitted Bid at any time when such bid ceases to meet any of the provisions of this definition and any acquisitions of securities made pursuant to such bid that has ceased to be a Competing Permitted Bid, including any acquisition of securities theretofore made, will cease to be a Permitted Bid Acquisition.

- (o) "**Controlled**" means as follows:

a body corporate is "controlled" by another Person if:

- (i) securities entitled to vote in the election of directors carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person, or
- (ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate;

and "**controls**", "**controlling**" and "**under common control with**" shall be interpreted accordingly.

- (p) "**Convertible Security**" means at any time securities issued by the Corporation from time to time (other than Rights) carrying any purchase, exercise, conversion or exchange right pursuant to which the holder thereof may acquire Common Shares or other securities which are convertible into or exercisable or exchangeable for Common Shares (whether exercisable immediately or after a specified period and whether or not on condition or the happening of any contingency).
- (q) "**Convertible Security Acquisition**" means the acquisition of Common Shares upon the exercise, conversion or exchange of Convertible Securities received by a Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Pro Rata Acquisition.

- (r) "**Disposition Date**" has the meaning ascribed thereto in Subsection 5.1(b).
- (s) "**Effective Date**" means June 20, 2017.
- (t) "**Election to Exercise**" has the meaning ascribed thereto in Clause 2.2(d)(ii).
- (u) "**Exchange**" means the TSX Venture Exchange, or such other exchange upon which the Common Shares may, from time to time, become listed for trading.
- (v) "**Exempt Acquisition**" means an acquisition of Beneficial Ownership in Common Shares:
 - (i) in respect of which the Board has waived the application of Section 3.1 pursuant to Subsections 5.1(b), 5.1(d), or 5.1(f);
 - (ii) which was made on or prior to the Record Time;
 - (iii) pursuant to an issuance and sale by the Corporation of Common Shares or Convertible Securities by way of a private placement by the Corporation, provided that: (i) all necessary stock exchange approvals for such private placement have been obtained and such private placement complies with the terms and conditions of such approvals; and (ii) such Person does not thereby become the Beneficial Owner of more than 25% of the Common Shares outstanding immediately prior to the private placement and, in making this determination, the securities to be issued to such Person in the private placement shall be deemed to be held by such Person but shall not be included in the aggregate number of outstanding Common Shares immediately prior to the private placement;
 - (iv) pursuant to an amalgamation, merger, arrangement or other statutory procedure requiring shareholder approval; or
 - (v) as a result of the issuance, vesting or exercise of stock options or other employee share-based compensation granted by the Corporation to such Person, provided that such Person does not thereby become the Beneficial Owner of more than 25% of the Common Shares outstanding immediately prior to such issuance, vesting or exercise, as the case may be, and, in making this determination, the securities to be issued to such Person pursuant to such issuance, vesting or exercise, as the case may be, shall be deemed to be held by such Person but shall not be included in the aggregate number of outstanding Common Shares immediately prior to such issuance, vesting or exercise, as the case may be.
- (w) "**Exercise Price**" means, as of any date, the price at which a holder of a Right may purchase the securities issuable upon exercise of one whole Right and, until adjustment thereof in accordance with the terms hereof, the Exercise Price shall be an amount equal to five times the Market Price per Common Share determined as of the Separation Time.

- (x) "**Expansion Factor**" has the meaning ascribed thereto in Subclause 2.3(b)(iv)(A)(1).
- (y) "**Expiration Time**" means the earlier of:
 - (i) the Termination Time; and
 - (ii) the termination date of this agreement under section 5.15.
- (z) "**Fiduciary**" means a trust company registered under the trust company legislation of Canada or any province thereof, a trust company organized under the laws of any state of the United States, a portfolio manager registered under the securities legislation of one or more provinces of Canada or an investment adviser registered under the *United States Investment Advisers Act of 1940*, as amended, or any other securities legislation of the United States or any state of the United States.
- (aa) "**Flip-in Event**" means a transaction or event in or pursuant to which any Person becomes an Acquiring Person.
- (bb) "**Governing Corporate Law**" means the *Canada Business Corporations Act*, and the regulations thereunder, and any comparable or successor laws or regulations thereto, or the relevant corporate law that otherwise governs the Corporation by virtue of continuance or amalgamation.
- (cc) "**Grandfathered Person**" means any Person who is the Beneficial Owner of 25% or more of the outstanding Common Shares as at the Effective Date.
- (dd) "**holder**" has the meaning ascribed thereto in Section 2.8.
- (ee) "**Independent Shareholders**" means holders of Common Shares, other than any:
 - (i) Acquiring Person;
 - (ii) Offeror, other than a Person referred to in Subsection (ii)(B) of the definition of "Beneficial Owner";
 - (iii) Affiliate or Associate of such Acquiring Person or Offeror;
 - (iv) Person acting jointly or in concert with such Acquiring Person or Offeror;
or
 - (v) employee benefit plan, stock purchase plan, deferred profit sharing plan and any similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of such plan or trust direct the manner in which the Common Shares are to be voted or withheld from voting or direct whether or not the Common Shares are to be tendered to a Take-over Bid, in which case such plan or trust shall be considered to be an Independent Shareholder.

- (ff) "**Market Price**" per security of any securities on any date of determination means the average of the daily Closing Prices per security of such securities on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date of determination; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 shall have caused any Closing Price used to determine the Market Price on any Trading Day not to be fully comparable with the Closing Price on the Trading Day immediately preceding such date of determination, each such Closing Price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in order to make it fully comparable with the Closing Price on the Trading Day immediately preceding such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day.
- (gg) "**MI 62-104**" means Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* adopted by certain of the Canadian securities regulatory authorities, as it may be amended, from time to time and including any successor instrument thereto (including, without limitation, Regulation 62-104 – *Take-Over Bids and Issuer Bids*).
- (hh) "**Nominee**" has the meaning ascribed thereto in Subsection 2.2(c).
- (ii) "**Offer to Acquire**" shall include:
- (i) an offer to purchase or a solicitation of an offer to sell Common Shares and/or Convertible Securities, or a public announcement of an intention to make such an offer or solicitation; and
 - (ii) an acceptance of an offer to sell Common Shares and/or Convertible Securities, whether or not such offer to sell has been solicited,
- or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.
- (jj) "**Offeror**" means a Person who has announced and not withdrawn a current intention to make, or who is making, a Take-over Bid.
- (kk) "**Offeror's Securities**" means the aggregate of the Common Shares Beneficially Owned on the date of an Offer to Acquire by an Offeror.
- (ll) "**Permitted Bid**" means a Take-over Bid that is made by way of a Take-over Bid circular and which also complies with the following additional provisions:
- (i) the Take-over Bid is made to all holders of record of Common Shares other than the Offeror; and

(ii) the Take-over Bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that:

(A) no Common Shares and/or Convertible Securities shall be taken up or paid for pursuant to the Take-over Bid:

(1) prior to the Close of Business on a date which is not less than one hundred and five (105) days following the date of the Take-over Bid or such shorter period that a take-over bid (that is not exempt from the general takeover bid requirements of MI 62-104) must remain open for deposits of such securities thereunder, in the applicable circumstances as such, pursuant to MI 62-104, and

(2) unless, at the Close of Business on such date,

a. if the Take-over Bid is for Common Shares only, more than fifty percent (50%) of the then outstanding Common Shares, or

b. in all other cases, more than fifty percent (50%) of a combination of the then outstanding Common Shares and Convertible Securities,

held by Independent Shareholders have been deposited or tendered pursuant to the Take-over Bid and have not been withdrawn,

(B) unless the Take-over Bid is withdrawn, Common Shares and, if applicable, Convertible Securities may be deposited pursuant to such Take-over Bid at any time prior to the Close of Business on the date of the first take-up of or payment for Common Shares and, if applicable, Convertible Securities,

(C) any Common Shares or Convertible Securities deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for, and

(D) in the event that the requirement set forth in Subclause 1.1(II)(ii)(A)(2) is satisfied, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Common Shares and, if applicable, Convertible Securities for not less than 10 days from the date of such public announcement,

provided that, should a Permitted Bid cease to be a Permitted Bid because it ceases to meet any or all of the requirements mentioned above prior to the time it expires (after giving effect to any extension) or is withdrawn,

then any acquisition of Common Shares and, if applicable, Convertible Securities made pursuant to such Permitted Bid shall not be a Permitted Bid Acquisition. The term Permitted Bid shall include a Competing Permitted Bid.

- (mm) "**Permitted Bid Acquisition**" means an acquisition of Common Shares made pursuant to a Permitted Bid or a Competing Permitted Bid.

- (nn) "**Permitted Lock-up Agreement**" means an agreement between a Person and one or more holders of Common Shares and/or Convertible Securities (each, a "**Locked-up Person**") (the terms of which are publicly disclosed and a copy of which is made available to the public, including the Corporation, not later than the date of the Lock-up Bid (as defined below) is publicly disclosed or, if the Lock-up Bid has been made prior to the date on which such agreement is entered into, as soon as possible after it is entered into and in any event not later than the first Business Day following the date of such agreement) pursuant to which each such Locked-up Person agrees to deposit or tender Common Shares or Convertible Securities to a Take-over Bid (the "**Lock-up Bid**") made or to be made by the Person, any of such Person's Affiliates or Associates or any other Person acting jointly or in concert with such Person, provided that:
 - (i) the agreement permits any Locked-up Person to terminate its obligation to deposit or tender to or not to withdraw Common Shares or Convertible Securities (or both) from the Lock-up Bid in order to tender or deposit the Common Shares or Convertible Securities to another Take-over Bid or support another transaction:
 - (A) where the price or value per Common Share or Convertible Security offered under such other Take-over Bid or transaction is higher than the price or value per Common Share or Convertible Security offered under the Lock-up Bid, or
 - (B) if:
 - (1) the price or value per Common Share or Convertible Security offered under the other Take-over Bid or transaction exceeds by as much as or more than a specified amount (the "**Specified Amount**") the price or value per Common Share or Convertible Security offered under the Lock-up Bid, provided that such Specified Amount is not greater than seven percent (7%) of the price or value per Common Share or Convertible Security offered under the Lock-up Bid, or
 - (2) the number of Common Shares or Convertible Securities to be purchased under the other Take-over Bid or transaction exceeds by as much as or more than a specified number (the "**Specified Number**") the number of Common Shares or Convertible Securities that the Offeror has offered to

purchase under the Lock-up Bid at a price or value per Common Share or Convertible Security that is not less than the price or value per Common Share or Convertible Security offered under the Lock-up Bid, provided that the Specified Number is not greater than seven percent (7%) of the number of Common Shares or Convertible Securities offered under the Lock-up Bid,

and, for greater clarity, the agreement may contain a right of first refusal or require a period of delay to give such Person an opportunity to match a higher price in another Take-over Bid or transaction or other similar limitation on a Locked-up Person's right to withdraw Common Shares or Convertible Securities from the agreement, so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Common Shares or Convertible Securities during the period of the other Take-over Bid or transaction; and

- (ii) no "**break-up**" fees, "**top-up**" fees, penalties, expenses or other amounts that exceed in the aggregate the greater of:
 - (A) the cash equivalent of two and one-half percent (2.5%) of the price or value of the consideration payable under the Lock-up Bid to a Locked-up Person; and
 - (B) fifty percent (50%) of the amount by which the price or value of the consideration payable under another Take-over Bid or transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid,

shall be payable by a Locked-up Person pursuant to the agreement in the event a Locked-up Person fails to deposit or tender Common Shares or Convertible Securities to the Lock-up Bid or withdraws Common Shares or Convertible Securities previously tendered thereto in order to accept the other Take-over Bid or support another transaction.

(oo) "**Person**" includes any individual, firm, partnership, limited partnership, limited liability company or partnership, association, trust, trustee, executor, administrator, legal or personal representative, government, governmental body, entity or authority, group, corporation, incorporated or unincorporated organization or association, syndicate, joint venture or any other entity, whether or not having legal personality, and any of the foregoing in any derivation, representative or fiduciary capacity, and pronouns have a similar extended meaning.

(pp) "**Pro Rata Acquisition**" means an acquisition by a Person of Common Shares pursuant to:

- (i) any dividend reinvestment plan or share purchase plan of the Corporation made available to all holders of Common Shares (other than holders resident in any jurisdiction where participation in any such plan is restricted or impractical as a result of applicable law);
- (ii) a stock dividend, a stock split or other event pursuant to which such Person becomes the Beneficial Owner of Common Shares and/or Convertible Securities on the same pro rata basis as all other holders of Common Shares and/or Convertible Securities of the same class or series;
- (iii) the acquisition or exercise of rights (other than Rights) to purchase Common Shares distributed to all holders of Common Shares and/or Convertible Securities of the same class or series (other than holders resident in any jurisdiction where such distribution is restricted or impractical as a result of applicable law) by the Corporation pursuant to a rights offering (but only if such rights are acquired directly from the Corporation); or
- (iv) a distribution of Common Shares or Convertible Securities made pursuant to a prospectus,

provided, however, that such Person does not thereby acquire a greater percentage of Common Shares or of Convertible Securities so offered than such Person's percentage of Common Shares Beneficially Owned immediately prior to such acquisition.

- (qq) "**Record Time**" means the Close of Business on the Effective Date.
- (rr) "**Redemption Price**" has the meaning attributed thereto in Subsection 5.1(a).
- (ss) "**Regular Periodic Cash Dividends**" means cash dividends paid on the Common Shares at regular intervals in any fiscal year of the Corporation to the extent that such cash dividends do not exceed in the aggregate in any fiscal year, on a per share basis, the greatest of:
 - (i) 200% of the aggregate amount of cash dividends, on a per Common Share basis, declared payable by the Corporation on its Common Shares in its immediately preceding fiscal year;
 - (ii) 300% of the arithmetic mean of the aggregate amount of cash dividends, on a per Common Share basis, declared payable by the Corporation on its Common Shares in its three immediately preceding fiscal years; and
 - (iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year divided by the number of Common Shares outstanding as at the end of such fiscal year.

- (tt) "**Right**" means a right to purchase Common Shares issued upon the terms and conditions described in this Agreement, including section 2.2(a) hereof.
- (uu) "**Rights Certificate**" means the certificates representing the Rights after the Separation Time which shall be substantially in the form attached hereto as Schedule A.
- (vv) "**Rights Register**" and "**Rights Registrar**" have the respective meanings ascribed thereto in Subsection 2.6(a).
- (ww) "**Securities Act**" means the *Securities Act* (British Columbia), as amended, and the rules and regulations made thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.
- (xx) "**Separation Time**" means the Close of Business on the tenth Business Day (or such later Business Day as may be determined at any time or from time to time by the Board) after the earlier of:
- (i) the Stock Acquisition Date;
 - (ii) the date of the commencement of, or first public announcement or disclosure of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence, a Take-over Bid (other than a Permitted Bid, so long as such Take-over Bid continues to satisfy the requirements of a Permitted Bid); and
 - (iii) the date on which a Permitted Bid ceases to qualify as a Permitted Bid, provided; however, that if any such Take-over Bid expires, is cancelled, is terminated or is otherwise withdrawn prior to the Separation Time, then such Take-over Bid shall be deemed, for purposes of this Subsection 1.1(vv) never to have been made, and, provided further, that if the Board determines, pursuant to Section 5.1, to waive the application of Section 3.1 to a Flip-In Event, then the Separation Time in respect of such Flip-In Event shall be deemed never to have occurred.
- (yy) "**Stock Acquisition Date**" means the first date of public announcement (which, for the purposes of this definition, shall include, without limitation, a report filed pursuant to MI 62-104, Section 102.1 or 102.2 of the *Securities Act* (Ontario) or Section 13(d) of the U.S. Exchange Act announcing or disclosing such information) or disclosure by the Corporation, an Offeror or an Acquiring Person of facts indicating that a Person has become an Acquiring Person.
- (zz) "**Subsidiary**": a corporation shall be deemed to be a Subsidiary of another corporation if:
- (i) it is controlled by:
 - (A) that other;

- (B) that other and one or more corporations each of which is controlled by that other; or
 - (C) two or more corporations each of which is controlled by that other; or
- (ii) it is a Subsidiary of a corporation that is that other's Subsidiary.
- (aaa) "**Take-over Bid**" means an Offer to Acquire outstanding Common Shares or Convertible Securities (or both) where the Common Shares subject to the Offer to Acquire, together with the Common Shares into or for which the securities subject to the Offer to Acquire are convertible or exchangeable and the Offeror's Securities, constitute in the aggregate 25% or more of the outstanding Common Shares at the date of the Offer to Acquire.
- (bbb) "**Termination Time**" means the time at which the right to exercise Rights shall terminate pursuant to Section 5.1.
- (ccc) "**Trading Day**", when used with respect to any securities, means the day on which the principal Canadian or United States securities exchange (as determined by the Board) on which such securities are listed and actively traded or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian or United States securities exchange, a Business Day.
- (ddd) "**U.S. - Canadian Exchange Rate**" on any date means:
- (i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and
 - (ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars which is calculated in the manner which shall be determined by the Board from time to time acting in good faith.
- (eee) "**U.S. Exchange Act**" means the *United States Securities Exchange Act of 1934*, as amended, and the rules and regulations thereunder as from time to time in effect, and any comparable or successor laws, rules or regulations thereto.
- (fff) "**1933 Act**" means the *United States Securities Act of 1933*, as amended, and the rules and regulations thereunder, and any comparable or successor laws, rules or regulations thereto.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Number and Gender

Wherever the context will require, terms (including defined terms) used herein importing the singular number only shall include the plural and vice versa and words importing any one gender shall include all others.

1.4 Sections and Headings

The division of this Agreement into Articles, Sections, Subsections, clauses, subclauses and Schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms this "**Agreement**", "**hereunder**", "**hereof**" and similar expressions refer to this Agreement as amended or supplemented from time to time and not to any particular Article, Section, Subsection, clause, subclause or Schedule or other portion hereof and include any agreement or instrument supplemental or ancillary hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections, Subsections, clauses, subclauses and Schedules are to Articles, Sections, Subsections, clauses, subclauses and Schedules of or to this Agreement.

1.5 Statutory References

Unless the context otherwise requires, any reference to a specific section, subsection, clause or rule of any act or regulation shall be deemed to refer to the same as it may be amended, re-enacted or replaced or, if repealed and there shall be no replacement therefor, to the same as it is in effect on the date of this Agreement.

1.6 Determination of Percentage Ownership

The percentage of Common Shares Beneficially Owned by any Person, shall, for the purposes of this Agreement, be and be deemed to be the product determined by the formula:

$$100 \quad x \quad \frac{A}{B}$$

where:

- A = the aggregate number of votes for the election of all directors generally attaching to the Common Shares Beneficially Owned by such Person; and
- B = the aggregate number of votes for the election of all directors generally attaching to all outstanding Common Shares.

Where any Person is deemed to Beneficially Own unissued Common Shares pursuant to Subsection 1.1(d), such Common Shares shall be deemed to be outstanding for the purpose of both A and B in the formula above for such person but no other unissued Common Shares, shall, for the purposes of this calculation, be deemed to be outstanding.

1.7 Acting Jointly or in Concert

For the purposes of this Agreement, a Person is acting jointly or in concert with every Person who is a party to an agreement, commitment or understanding, whether formal or informal, written or unwritten, with the first Person or any Associate or Affiliate of the first Person to acquire, or make an Offer to Acquire, Common Shares or Convertible Securities (other than customary agreements with and between underwriters and banking or selling group members with respect to a distribution of securities by the Corporation and pledges of securities in the ordinary course of the pledgee's business to secure indebtedness or, subject to anything else contained herein, pursuant to Permitted Lock-Up Agreements).

ARTICLE 2. **THE RIGHTS**

2.1 Legend on Common Share Certificates

- (a) One Right for each Common Share shall be issued upon the later of (i) the Record Time and (ii) the date on which all required regulatory approvals required in respect of this Agreement have been received (notice of such date to provided by the Corporation to the Rights Agent in accordance with section 5.9 hereof). Certificates representing any Common Shares (including without limitation Common Shares issued upon the conversion of Convertible Securities) issued after the issuance of the Rights, but prior to the Close of Business on the earlier of (iii) the Separation Time and (iv) the Expiration Time, shall also evidence one Right for each Common Share represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

"Until the Separation Time (as defined in the Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Shareholder Rights Plan Agreement, made as of June 20, 2017, as such agreement may from time to time be amended, restated, varied or replaced (the "**Rights Agreement**"), between Conifex Timber Inc. and Computershare Investor Services Inc., as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file at the registered office of the Corporation and is available for viewing at www.sedar.com. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be amended or redeemed, may expire, may become void (if, in certain cases, they are "Beneficially Owned" by an "Acquiring Person", as such terms are defined in the Rights Agreement, or a transferee thereof) or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor."

- (b) Certificates representing Common Shares that are issued and outstanding at the later of (i) the Record Time and (ii) the date on which all required regulatory approvals required in respect of this Agreement have been received, shall

evidence one Right for each Common Share evidenced thereby, notwithstanding the absence of the foregoing legend, until the earlier of (iii) the Separation Time and (iv) the Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (a) Subject to adjustment as set forth herein, including without limitation as set forth in Article 3, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price (which Exercise Price and number of Common Share(s) are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be void.
- (b) Until the Separation Time:
 - (i) the Rights shall not be exercisable and no Right may be exercised; and
 - (ii) each Right will be evidenced by the certificate for the associated Common Share registered in the name of the holder thereof (which certificate shall be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Share.
- (c) From and after the Separation Time and prior to the Expiration Time, the Rights may be exercised, and the registration and transfer of the Rights shall be separate from and independent of Common Shares. Promptly following the Separation Time, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time and, in respect of each Convertible Security converted into Common Shares after the Separation Time and prior to the Expiration Time, promptly after such conversion, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to the holder so converting (other than a Person indicated by the Corporation in writing to be an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such rights as indicated by the Corporation in writing (a "**Nominee**")) at such holder's address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):
 - (i) a Rights Certificate, substantially the form of Schedule A appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or judicial or administrative order, or with any article or regulation of any stock exchange or quotation system on which

the Rights may from time to time be listed or traded, or to conform to usage; and

- (ii) a disclosure statement prepared by the Corporation describing the Rights,

provided that a Nominee shall be sent the materials provided for in Clauses 2.2(c)(i) and 2.2(c)(ii) only in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person as indicated to the Rights Agent by the Corporation in writing, and the Corporation may require any Nominee or suspected Nominee to provide such information and documentation as the Corporation may reasonably require for such purpose.

- (d) Rights may be exercised in whole or in part on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent, at its principal office in Vancouver, British Columbia:

- (i) the Rights Certificate evidencing such Rights;

- (ii) an election to exercise (an "**Election to Exercise**"), substantially in the form attached to the Rights Certificate, duly completed, and duly completed and executed in a manner acceptable to the Rights Agent; and

- (iii) payment by certified cheque, banker's draft or money order payable to the order of the Corporation, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.

- (e) Upon receipt of a Rights Certificate, accompanied by a duly completed and executed Election to Exercise, which does not indicate that such Right is null and void as provided by Subsection 3.1(b) and payment as set forth in Subsection 2.2(d), the Rights Agent (unless otherwise instructed by the Corporation) will thereupon promptly:

- (i) requisition from the transfer agent of the Common Shares certificates representing the number of Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);

- (ii) after receipt of such Common Share certificates, deliver such certificates to, or to the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder in the Election to Exercise;

- (iii) when appropriate and pursuant to Section 5.5, requisition from the Corporation the amount of cash, if any, to be paid in lieu of issuing fractional Common Shares;

- (iv) when appropriate and pursuant to Section 5.5, after receipt of such cash, deliver such cash to, or to the order of, the registered holder of the Rights Certificate; and
 - (v) tender to the Corporation all payments received on exercise of the Rights.
- (f) If the holder of any Rights exercises less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (g) The Corporation covenants and agrees that it will:
- (i) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon the exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;
 - (ii) take all such action as may reasonably be considered to be necessary and within its power to comply with any applicable requirements of the Governing Corporate Law, the Securities Act, the U.S. Exchange Act, the 1933 Act and comparable legislation of each of the other provinces and territories of Canada and states of the United States of America, or the rules and regulations thereunder or any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights, the Rights Certificates and the issuance of any Common Shares upon exercise of the Rights;
 - (iii) use reasonable efforts to cause all Common Shares issued upon exercise of the Rights to be listed on the principal exchanges on which the Common Shares are listed at that time;
 - (iv) cause to be reserved and kept available out of its authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
 - (v) pay when due and payable, if applicable, any and all federal, provincial and municipal taxes (not in the nature of income, capital gains or withholding taxes) and charges which may be payable in respect of the original issuance or delivery of the Rights Certificates or certificates for Common Shares issued upon the exercise of Rights, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer of Rights or the issuance or delivery of certificates for Common Shares issued upon the exercise of Rights, in a name other than that of the holder of the Rights being transferred or exercised; and

- (vi) after the Separation Time, except as permitted by Section 5.1 or Section 5.4, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.3 Adjustments to Exercise Price; Number of Rights

- (a) The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3 and in Article 3.
- (b) In the event that the Corporation shall at any time after the Record Time and prior to the Expiration Time:
 - (i) declare or pay a dividend on the Common Shares payable in Common Shares or Convertible Securities in respect thereof other than pursuant to any optional stock dividend plan, dividend reinvestment plan or dividend payable in Common Shares in lieu of a regular periodic cash dividend;
 - (ii) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;
 - (iii) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or
 - (iv) issue any Common Shares (or Convertible Securities in respect thereof) in respect of, in lieu of or in exchange for existing Common Shares, whether in a reclassification, amalgamation, statutory arrangement, consolidation or otherwise,

then the Exercise Price and the number of Rights outstanding (or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon the exercise of Rights) shall be adjusted as follows:

- (A) if the Exercise Price and number of Rights outstanding are to be adjusted such that:
 - (1) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other securities of the Corporation) (the "**Expansion Factor**") that a holder of one Common Share immediately prior to such dividend, subdivision, change, combination or issuance would hold thereafter as a result thereof (assuming the exercise of all such exchange, conversion or acquisition rights, if any), and

(2) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor, and the adjusted number of Rights will be deemed to be allocated among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the securities of the Corporation issued in respect of such dividend, subdivision, change, consolidation or issuance, so that each such Common Share (or other security of the Corporation) will have exactly one Right associated with it, and

(B) if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof.

Adjustments made pursuant to this Subsection 2.3(b) shall be made successively, whenever an event referred to in this Subsection 2.3(b) occurs.

- (c) If, after the Record Time and prior to the Expiration Time, the Corporation shall issue any of its securities other than Common Shares in a transaction of a type described in Clauses 2.3(b)(i) or 2.3(b)(iv), such securities shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent shall amend this Agreement in order to effect such treatment.
- (d) If an event occurs which would require an adjustment under both this Section 2.3 and Section 3.1, the adjustment provided for in this Section 2.3 shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 3.1.
- (e) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in Subsection 2.3(b), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such Common Share.
- (f) In the event the Corporation shall, at any time after the Record Time and prior to the Expiration Time, fix a record date for the making of a distribution to all holders of Common Shares of rights or warrants entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Shares (or shares having the same rights, privileges and preferences as Common Shares ("**equivalent Common Shares**")) or Convertible Securities in respect of Common Shares or equivalent Common Shares at a price per Common Share or per equivalent Common Share (or, in the case of such a Convertible Security, having a conversion, exchange or exercise price per share (including the price required to be paid to purchase such Convertible Security))

less than 90% of the Market Price per Common Share on such record date, the Exercise Price in effect after such record date will equal the Exercise Price in effect immediately prior to such record date multiplied by a fraction:

- (A) of which the numerator shall be the number of Common Shares outstanding on such record date plus the number of Common Shares which the aggregate offering price of the total number of Common Shares and/or equivalent Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the Convertible Securities so to be offered (including the price required to be paid to purchase such Convertible Securities)) would purchase at such Market Price per Common Share; and
 - (B) of which the denominator shall be the number of Common Shares outstanding on such record date plus the number of additional Common Shares and/or Equivalent Common Shares to be offered for subscription or purchase (or into which the Convertible Securities so to be offered are initially convertible, exchangeable or exercisable).
- (ii) In case such subscription price is satisfied, in whole or in part, by consideration other than cash, the value of such consideration shall be as determined in good faith by the Board, whose determination shall be described in a certificate filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such rights or warrants are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted in the manner contemplated above based on the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights or warrants.
- (iii) For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to any dividend or interest reinvestment plan or any share purchase plan providing for the reinvestment of dividends or interest payable on securities of the Corporation or the investment of periodic optional payments or employee benefit, stock option or similar plans (so long as such right to purchase is in no case evidenced by the delivery of rights, options or warrants by the Corporation) shall not be deemed to constitute an issue of rights or warrants by the Corporation; provided, however, that in the case of any dividend or interest reinvestment or share purchase plan, the right to purchase Common Shares (or equivalent Common Shares) is at a price per share of not less than 90% of the current market price per share (determined as provided in such plans) of the Common Shares.

- (g) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Common Shares of:
 - (i) evidences of indebtedness, cash or assets (other than a Regular Periodic Cash Dividend or regular periodic cash dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), excluding those referred to in section 2.3(c) above); or
 - (ii) rights, options or warrants entitling them to subscribe for or purchase Common Shares (or Convertible Securities in respect of Common Shares),

in an amount or at a price per Common Share (or, in the case of a Convertible Security in respect of Common Shares, having a conversion, exchange or exercise price per share (including the price required to be paid to purchase such Convertible Security)) less than 90% of the Market Price per Common Share on such record date (excluding rights or warrants referred to in Subsection 2.3(f)), the Exercise Price in effect after such record date shall be equal to the Exercise Price in effect immediately prior to such record date less the fair market value (as determined in good faith by the Board) of the portion of the assets, evidences of indebtedness, rights, warrants or other securities so to be distributed applicable to each of the securities purchasable upon exercise of one Right. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effective if such record date had not been fixed.

- (h) Each adjustment made pursuant to this Section 2.3 shall be made as of:
 - (i) the payment or effective date for the applicable dividend, subdivision, change, combination or issuance, in the case of an adjustment made pursuant to Subsection 2.3(b); and
 - (ii) the record date for the applicable dividend or distribution, in the case of an adjustment made pursuant to Subsections 2.3(f) or 2.3(g), subject to readjustment to reverse the same if such distribution shall not be made.
- (i) In the event the Corporation shall at any time after the Record Time and prior to the Expiration Time issue any shares (other than Common Shares), or rights or warrants to subscribe for or purchase any such shares, or Convertible Securities in respect of any such shares, in a transaction referred to in any of Clauses 2.3(b)(i) to 2.3(b)(iv), inclusive, if the Board acting in good faith determines that the adjustments contemplated by Subsections 2.3(b), 2.3(f) and 2.3(g) in connection with such transaction will not appropriately protect the interests of the holders of Rights, then the Board may from time to time, but subject to obtaining the prior approval of the holders of the Rights obtained as set forth in Subsection 5.4(b), determine what other adjustments to the Exercise Price, number of Rights or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsections 2.3(b), 2.3(f) and 2.3(g), such adjustments, rather

than the adjustments contemplated by Subsections 2.3(b), 2.3(f) and 2.3(g), shall be made upon the Board providing written certification thereof to the Rights Agent as set forth in Subsection 2.3(q). The Corporation and the Rights Agent shall amend this Agreement as appropriate to provide for such adjustments.

- (j) Notwithstanding anything herein to the contrary, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3(j) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All adjustments to the Exercise Price made pursuant to this Section 2.3 shall be calculated to the nearest cent or to the nearest one-hundredth of a Common Share, as the case may be.
- (k) All Rights originally issued by the Corporation subsequent to any adjustment made to an Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.
- (l) Unless the Corporation shall have exercised its election, as provided in Subsection 2.3(m), upon each adjustment of an Exercise Price as a result of the calculations made in Subsections 2.3(f) and 2.3(g), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Common Shares (calculated to the nearest one ten-thousandth) obtained by:
 - (i) multiplying (A) the number of Common Shares purchasable upon exercise of a Right immediately prior to such adjustment, by (B) the Exercise Price in effect immediately prior to such adjustment of the Exercise Price; and
 - (ii) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.
- (m) The Corporation may elect on or after the date of any adjustment of an Exercise Price to adjust the number of Rights, in lieu of any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Common Shares for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become the number of Rights (calculated to the nearest one ten-thousandth) that is equal to the result of dividing the relevant Exercise Price in effect immediately prior to adjustment of the relevant Exercise Price by the relevant Exercise Price in effect immediately after adjustment of the relevant Exercise Price. The Corporation shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the relevant Exercise Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least 10

calendar days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Subsection 2.3(m), the Corporation shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date, Rights Certificates evidencing, subject to Section 5.5, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Corporation, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Corporation, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and may bear, at the option of the Corporation, the relevant adjusted Exercise Price and shall be registered in the names of holders of record of Rights Certificates on the record date specified in the public announcement.

- (n) In any case in which this Section 2.3 shall require that an adjustment in an Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date of the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the relevant Exercise Price in effect prior to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.
- (o) Notwithstanding anything in this Section 2.3 to the contrary, the Corporation shall be entitled to make such adjustments in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in its good faith judgment the Board shall determine to be advisable in order that any:
 - (i) subdivision or consolidation of the Common Shares;
 - (ii) issuance (wholly or in part for cash) of any Common Shares at less than the applicable Market Price;
 - (iii) issuance (wholly or in part for cash) of any Common Shares or securities that by their terms are exchangeable for or convertible into or give a right to acquire Common Shares;
 - (iv) stock dividends; or
 - (v) issuance of rights, options or warrants referred to in this Section 2.3, hereafter made by the Corporation to holders of its Common Shares,

shall not be taxable to such shareholders.

- (p) Irrespective of any adjustment or change in the securities purchasable upon exercise of the Rights, the Rights Certificates thereto for and thereafter issued may continue to represent the securities so purchasable which were represented in the initial Rights Certificates issued hereunder.
- (q) Whenever an adjustment to the Exercise Price or a change in the securities purchasable upon the exercise of Rights is made pursuant to this Section 2.3, the Corporation shall:
 - (i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment;
 - (ii) promptly file with the Rights Agent and with each transfer agent for the Common Shares a copy of such certificate and mail or cause to be mailed a brief summary thereof to each holder of Rights who requests a copy; and
 - (iii) cause notice of the particulars of such adjustment to be given to the holders of the Rights by way of press release or by such other means as the Corporation may determine.

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of any such adjustment or change.

2.4 Date on Which Exercise is Effective

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next Business Day on which the Common Share transfer books of the Corporation are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (a) The Rights Certificates shall be executed on behalf of the Corporation by any two officers or directors of the Corporation. The signature of any of these officers or directors on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers or directors of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.

- (b) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature and a disclosure statement as described in Section 2.2(c), and the Rights Agent shall countersign (manually or by facsimile signature in a manner satisfactory to the Corporation) and deliver such Rights Certificates to the holders of the Rights pursuant to Section 2.2(c). No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (c) Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange

- (a) After the Separation Time, the Corporation will cause to be kept a register (the "**Rights Register**") in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed "**Rights Registrar**" for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.
- (b) After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsections 2.6(d) and 3.1(b), the Corporation will execute, and the Rights Agent will countersign, deliver and register, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.
- (c) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (d) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the registered holder thereof or such holder's attorney duly authorized, in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Corporation or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.
- (e) The Corporation shall not be required to register the transfer or exchange of any Rights after the Rights have been terminated pursuant to the provisions of this Agreement.

2.7 Mutilated, Lost, Stolen and Destroyed Rights Certificates

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (b) If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time:
 - (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
 - (ii) such security and indemnity as may be reasonably required by them to save each of them and any of their agents harmless,

then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Corporation shall execute and, upon the Corporation's request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

- (c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Corporation or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) connected therewith.
- (d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence a contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and the holder thereof shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.8 Persons Deemed Owners

The Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "**holder**" of any Rights shall mean the registered holder of such Rights (or, prior to the Separation Time, the associated Common Shares).

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, for registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9 except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable law, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

2.10 Agreement of Rights Holders

Each holder of Rights, by accepting such Rights, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that, prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share;
- (c) that, after the Separation Time, the Rights will be transferable only on the Rights Register as provided herein;
- (d) that, prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;
- (e) that such holder of Rights has waived its right to receive any fractional Rights or any fractional Common Shares or other securities upon exercise of a Right (except as provided herein);
- (f) that, subject to Section 5.4, without the approval of any holder of Rights or Common Shares and upon the sole authority of the Board acting in good faith, this Agreement may be supplemented or amended from time to time to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with the intent of this Agreement or is otherwise defective; and
- (g) that, notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations

under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

ARTICLE 3.
ADJUSTMENTS TO THE RIGHTS

3.1 Flip-in Event

- (a) Subject to Subsection 3.1(b) and Section 5.1, in the event that prior to the Expiration Time a Flip-in Event occurs, each Right shall thereafter constitute the right to purchase from the Corporation, upon exercise thereof in accordance with the terms hereof, that number of Common Shares as have an aggregate Market Price on the date of the consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if, after such date of consummation or occurrence, an event of a type analogous to any of the events described in Section 2.3 shall have occurred with respect to such Common Shares).
- (b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time and the Stock Acquisition Date, or which may thereafter be Beneficially Owned, by:
 - (i) an Acquiring Person, any Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of an Acquiring Person (or any Affiliate or Associate of any such Person so acting jointly and in concert); or
 - (ii) a transferee, direct or indirect, of an Acquiring Person, any Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of an Acquiring Person (or any Affiliate or Associate of any such Person so acting jointly and in concert), in a transfer of Rights occurring subsequent to the Acquiring Person becoming such,

shall become null and void without any further action and any holder of such Rights (including any transferee of, or other successor entitled to, such Rights, whether directly or indirectly) shall thereafter have no right to exercise such Rights under any provisions of this Agreement and, further, shall thereafter not have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The holder of any Rights represented by a Rights Certificate which is submitted to the Rights Agent upon exercise or

for registration of transfer or exchange which does not contain the necessary certifications set forth in the Rights Certificate establishing that such Rights are not void under this Subsection 3.1(b) shall be deemed to be an Acquiring Person for the purposes of this Subsection 3.1(b) and such Rights shall become null and void.

- (c) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either of Clauses 3.1(b)(i) or 3.1(b)(ii) or transferred to any Nominee of any such Person, and any Rights Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain or will be deemed to contain the following legend:

"The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Rights Agreement) or acting jointly or in concert with any of them. This Rights Certificate and the Rights represented hereby shall be void in the circumstances specified in Subsection 3.1(b) of the Rights Agreement."

The Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall be required to impose such legend only if instructed to do so by the Corporation or if a holder fails to certify upon transfer or exchange in the space provided to do so. Notwithstanding the foregoing, the issuance of a Rights Certificate which does not bear the legend referred to in this subsection 3.1(c) shall not invalidate or have any effect on the provisions of subsection 3.1(b).

3.2 Fiduciary Duties of the Board

For clarification it is understood that nothing contained in this Article 3 shall be considered to affect the obligations of the Board to exercise its fiduciary duties. Without limiting the generality of the foregoing, nothing contained herein shall be construed to suggest or imply that the Board shall not be entitled to recommend that holders of the Common Shares reject or accept any Take-over Bid or take any other action including, without limitation, the commencement, prosecution, defence or settlement of any litigation and the submission of additional or alternative Take-over Bids or other proposals to the shareholders of the Corporation with respect to any Take-over Bid or otherwise that the Board believes is necessary or appropriate in the exercise of its fiduciary duties.

ARTICLE 4. THE RIGHTS AGENT

4.1 General

- (a) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-rights agents ("**Co-Rights**

Agents") as it may deem necessary or desirable. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Corporation may determine, subject to the approval of the Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonably incurred expenses and other disbursements in the administration and execution of this Agreement and the exercise and performance of its duties hereunder, including fees and disbursements of counsel and other experts consulted by the Rights Agent pursuant to Subsection 4.3(a). The Corporation also agrees to indemnify the Rights Agent and each of its directors, officers, employees, agents and shareholders for, and to hold each of them harmless against, any loss, liability, cost, claim, action, damage, suit or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including without limitation the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement or the resignation or removal of the Rights Agent. In the event of any disagreement arising regarding the terms of this Agreement the Rights Agent shall be entitled, at its option, to refuse to comply with any and all demands whatsoever until the dispute is settled either by written agreement amongst the parties to this Agreement or by a court of competent jurisdiction.

- (b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (c) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation; provided that failure to inform the Rights Agent of such events, or any defect therein shall not affect the validity of any action taken hereunder in relation to such events.

4.2 Merger, Amalgamation, Consolidation or Change of Name of Rights Agent

- (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent

under this Agreement without the execution or filing of any document or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Corporation and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) The Rights Agent, at the Corporation's expense, may consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion; the Rights Agent may also, with the approval of the Corporation (such approval not to be unreasonably withheld), consult with such other experts as the Rights Agent shall consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement and the Rights Agent shall be entitled to rely in good faith on the advice of any such expert.
- (b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a person believed by the Rights Agent to be the Chief Executive Officer, President, Chief Financial Officer or the Secretary or Assistant Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

- (c) The Rights Agent will not be liable hereunder except for losses caused principally and directly by its gross negligence, bad faith or willful misconduct.
- (d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares, or the Rights Certificates (except its countersignature thereof which countersignature shall not be construed as a representation or warranty by the Rights Agent as to the validity of this Agreement or the Rights Certificate(s), except the due certification thereof) or be required to verify the same, and all such statements and recitals are and will be deemed to have been made by the Corporation only.
- (e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Common Share certificate, or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Subsection 3.1(b) or any adjustment required under the provisions of Section 2.3 or responsible for the manner, method or amount of any such adjustment, nor will it be responsible for the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment or any written notice from the Corporation or any holder that a Person has become an Acquiring Person); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to any Common Shares, when issued, being duly and validly authorized, issued and delivered as fully paid and non-assessable.
- (f) The Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.
- (g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any individual believed by the Rights Agent to be the Chief Executive Officer, President, Chief Financial Officer, or the Secretary or Assistant Secretary of the Corporation, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such individual. It is understood that instructions to the Rights Agent shall, except where circumstances make it impractical or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as reasonably practicable after the giving of such instructions.

- (h) The Rights Agent and any shareholder or director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity.
- (i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, omission, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, default, omission, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement by giving 60 days prior written notice (or such lesser notice as is acceptable to the Corporation) to the Corporation, to each transfer agent of Common Shares and to the holders of the Rights, all in accordance with Section 5.9 and at the expense of the Corporation. The Corporation may remove the Rights Agent by giving 30 days prior written notice to the Rights Agent, to each transfer agent of the Common Shares and to the holders of the Rights in accordance with Section 5.9. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate for inspection of the Corporation), then the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, must be a corporation incorporated under the laws of Canada or a province thereof and authorized to carry on the business of a trust company in the Province of British Columbia. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent, upon receiving all amounts owing to it hereunder (unless otherwise agreed by the Rights Agent), shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and mail a notice thereof in writing to the holders of the Rights in accordance with Section 5.9. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

4.5 Compliance with Money Laundering Legislation

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Rights Agent reasonably determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation, provided: (i) that the Rights Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent's satisfaction within such 10-day period, then such resignation shall not be effective. If the Rights Agent shall resign, the Corporation will use its reasonable efforts to appoint a successor to the Rights Agent and the applicable provisions of Section 4.4 shall apply *mutatis mutandis*. Following the resignation of the Rights Agent and until the appointment of a successor Rights Agent, the Corporation shall be entitled to act in the capacity of Rights Agent under this Agreement.

4.6 Privacy Provision

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individual's personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Agreement. Despite any other provision of this Agreement, neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Rights Agent will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

4.7 Limitation of Rights Agent Liability

- (a) Notwithstanding any other provision of this Agreement, and whether such losses or damages are foreseeable or unforeseeable, the Rights Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.
- (b) Notwithstanding any other provision of this Agreement, any liability of the Rights Agent shall be limited, in the aggregate, to the amount of fees paid by the Company to the Rights Agent under this Agreement in the twelve (12) months immediately prior to the Rights Agent receiving the first notice of the claim.

ARTICLE 5.
MISCELLANEOUS

5.1 Redemption, Waiver, Extension and Termination

- (a) Subject to the prior consent of the holders of Common Shares or Rights obtained as set forth in Subsections 5.4(a) or 5.4(b), as applicable, the Board acting in good faith may, at any time prior to the later of the Stock Acquisition Date and the Separation Time, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right, appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 shall have occurred, (such redemption price being herein referred to as the "**Redemption Price**").
- (b) The Board shall waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board has determined in good faith, following the Stock Acquisition Date and prior to the Separation Time, that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subsection 5.1(b) may only be given on the condition that such Person, within 14 days after the foregoing determination by the Board or such later date as the Board may determine (the "**Disposition Date**"), has reduced its Beneficial Ownership of Common Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the Close of Business on the Disposition Date, then the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Section 3.1 shall apply thereto.
- (c) In the event that a Person acquires Common Shares pursuant to a Permitted Bid or an Exempt Acquisition referred to in Subsection 5.1(d), then the Board shall, immediately upon the consummation of such acquisition and without further formality, be deemed to have elected to redeem the Rights at the Redemption Price.
- (d) The Board acting in good faith may, prior to the occurrence of the relevant Flip-in Event, upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to a Flip-in Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all holders of record of Common Shares; provided that, if the Board waives the application of Section 3.1 to a particular Take-over Bid pursuant to this Subsection 5.1(d), then the Board shall be deemed to have waived the application of Section 3.1 to any other Take-over Bid made by means of a Take-over Bid circular to all holders of record of Common Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been, granted under this Subsection 5.1(d).

- (e) Subject to the prior consent of the holders of Common Shares obtained as set forth in Subsection 5.4(b)(i), the Board may, at any time prior to the occurrence of a Flip-in Event as to which the application of Section 3.1 has not been waived pursuant to this Section 5.1, if such Flip-in Event would occur by reason of an acquisition of Common Shares otherwise than pursuant to a Take-over Bid made by means of a Take-over Bid circular to all registered holders of Common Shares and otherwise than in the circumstances set forth in Subsection 5.1(b) or (c), waive the application of Section 3.1 to such Flip-in Event. In such event, the Board shall extend the Separation Time to a date at least 10 Business Days subsequent to the meeting of shareholders called to approve such waiver.
- (f) The Board may, prior to the Close of Business on the tenth Business Day following a Stock Acquisition Date or such later Business Day as it may from time to time determine, upon prior written notice delivered to the Rights Agent, waive the application of Section 3.1 to the related Flip-in Event; provided that the Acquiring Person has reduced its Beneficial Ownership of Common Shares (or has entered into a contractual arrangement with the Corporation, acceptable to the Board, to do so within 10 days of the date on which such contractual arrangement is entered into or such later date as the Board may determine) such that, at the time the waiver becomes effective pursuant to this Subsection 5.1(f), such Person is no longer an Acquiring Person. In the event of such a waiver becoming effective prior to the Separation Time, for the purposes of this Agreement, such Flip-in Event shall be deemed not to have occurred.
- (g) Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, or if the Board grants a waiver under Subsection 5.1(f) after the Separation Time, then the Board may elect to redeem all the outstanding Rights at the Redemption Price. Upon the Rights being redeemed pursuant to this Subsection 5.1(g), all of the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares at the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred and the Corporation shall be deemed to have issued replacement Rights to the holders of its then outstanding Common Shares.
- (h) If the Board is deemed under Subsection 5.1(c) to have elected or elects under Subsections 5.1 (a) or 5.1(g) to redeem the Rights, then the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.
- (i) Within 10 days after the Board is deemed under Subsection 5.1 (c) to have elected or elects under Subsection 5.1 (a) or 5.1(g) to redeem the Rights, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the Rights Register or, prior to the Separation Time, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner

herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

5.2 Expiration

No Person will have any rights pursuant to this Agreement or in respect of any Right after the Expiration Time, except in respect of any right to receive cash, securities or other property which has accrued at the Expiration Time and except as specified in Subsections 4.1 (a) and 4.1(b).

5.3 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board to reflect any adjustment or change in the number or kind or class of shares purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.4 Supplements and Amendment

- (a) The Corporation may from time to time amend, vary or delete any of the provisions of this Agreement and the Rights prior to the date of the initial meeting of shareholders to confirm the Rights Plan as set forth in Section 5.15 without the approval of the shareholders of the Corporation and on or after the date of such confirmation, no amendment, variation or deletion shall be made without the prior consent of the shareholders of the Corporation or holders of the Rights, subject to Subsections 5.4(b) and 5.4(c), except that amendments, variations or deletions made for any of the following purposes shall not require such prior approval:
 - (i) subject to subsequent ratification in accordance with Subsection 5.4(b), in order to make such changes as are necessary in order to maintain the validity of this Agreement and the Rights as a result of any change in any applicable legislation, regulations or rules; or
 - (ii) in order to make such changes as are necessary in order to cure any clerical or typographical error.

Notwithstanding anything in this Section 5.4 to the contrary, no amendment, variation or deletion shall be made to the provisions of Article 4.4 or any other provision specifically relating to the rights or duties of the Rights Agent except with the written concurrence of the Rights Agent thereto.

- (b) Any amendment, variation or deletion made by the Board pursuant to Subsection 5.4(a) which is made on or after the date of the initial meeting of shareholders to confirm the Rights Plan as set forth in Section 5.15 and which requires shareholder approval shall, if made:

- (i) prior to the Separation Time, be submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by resolution passed by a majority of the votes cast by Independent Shareholders who vote in respect of such amendment, variation or deletion, confirm or reject such amendment or supplement; or
- (ii) after the Separation Time, be submitted to the holders of Rights at a meeting to be held on a date not later than the date of the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by a majority of the votes cast by the holders of Rights which have not become void pursuant to Subsection 3.1(b) who vote in respect of such amendment, variation or deletion, confirm or reject such amendment or supplement.

Any amendment, variation or deletion subject to shareholder approval shall be effective from the later of the date of the consent of the holders of Common Shares or Rights, as applicable, adopting such amendment, variation or deletion and the date of approval thereof by the Exchange (except in the case of another amendment, variation or deletion referred to in Clauses 5.4(a)(i), which shall be effective from the later of the date of the resolution of the Board adopting such amendment, variation or deletion and the date of approval thereof by the Exchange and shall continue in effect until it ceases to be effective (as in this Subsection 5.4(b) described) and, where such amendment, variation or deletion is confirmed, it shall continue in effect in the form so confirmed). If an amendment, variation or deletion pursuant to Clauses 5.4(a)(i), is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment, variation or deletion shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board to amend, vary or delete any provision of this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights, as the case may be.

- (c) For greater certainty, neither the exercise by the Board of any power or discretion conferred on it hereunder nor the making by the Board of any determination or the granting of any waiver it is permitted to make or give hereunder shall constitute an amendment, variation or deletion of the provisions of this Agreement or the Rights, for purposes of this Section 5.4 or otherwise.
- (d) The approval, confirmation or consent of the holders of Rights with respect to any matter arising hereunder shall be deemed to have been given if the action requiring such approval, confirmation or consent is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof or which, prior to the Separation Time, are held otherwise than by Independent Shareholders) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the

meeting shall be those, as nearly as may be, which are provided in the Corporation's bylaws and the Governing Corporate Law with respect to meetings of shareholders of the Corporation.

5.5 Fractional Rights and Fractional Shares

- (a) The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. After the Separation Time there shall be paid, in lieu of such fractional Rights, to the registered holders of the Rights Certificates with regard to which fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the Market Price of a whole Right.
- (b) The Corporation shall not be required to issue fractional Common Shares upon exercise of the Rights or to distribute certificates that evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation shall pay to the registered holder of Rights Certificates at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of one Common Share at the date of such exercise.
- (c) The Rights Agent shall have no obligation to make any payments in lieu of fractional Rights or Common Shares unless the Corporation shall have provided the Rights Agent with the necessary funds to pay in full all amounts payable in accordance with Subsection 2.2(e).

5.6 Rights of Action

Subject to the terms of this Agreement, rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights; and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce, or otherwise act in respect of, such holder's right to exercise such holder's Rights in the manner provided in this Agreement and in such holder's Rights Certificate. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

5.7 Holder of Rights Not Deemed a Shareholder

No holder, as such, of any Rights shall be entitled to vote, receive dividends or be deemed for any purpose the holder of Common Shares or any other securities which may at any time be issuable on the exercise of Rights, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 5.8) or to receive dividends or subscription rights or otherwise, until such Rights shall have been exercised in accordance with the provisions hereof.

5.8 Notice of Proposed Actions

In case the Corporation proposes after the Separation Time and prior to the Expiration Time to effect the liquidation, dissolution or winding up of the Corporation or the sale of all or substantially all of the Corporation's assets, then, in each such case, the Corporation shall give to each holder of a Right, in accordance with Section 5.9, a notice of such proposed action, which shall specify the date on which such liquidation, dissolution, or winding up is to take place, and such notice shall be so given at least 20 Business Days prior to the date of the taking of such proposed action by the Corporation.

5.9 Notices

Notices or demands authorized or required by this Agreement to be given or made to or by the Rights Agent, the holder of any Rights or the Corporation will be sufficiently given or made and shall be deemed to be received if delivered or sent by first-class mail, postage prepaid, or by facsimile machine or other means of printed telecommunication, charges prepaid and confirmed in writing by mail or delivery, addressed (until another address is filed in writing with the Rights Agent or the Corporation, as applicable), as follows:

- (a) if to the Corporation:

CONIFEX TIMBER INC.
110-2925 Virtual Way
Vancouver, BC V5M 4X5

Attention: Chief Executive Officer
Facsimile No.: (778) 331-8944

- (b) if to the Rights Agent:

COMPUTERSHARE INVESTOR SERVICES INC.
510 Burrard Street, 3rd Floor
Vancouver, BC V6C 3B9

Attention: General Manager, Client Services
Facsimile No.: (604) 664-9401

- (c) if to the holder of any Rights, to the address of such holder as it appears on the Rights Register or, prior to the Separation Time, on the registry books of the Corporation for the Common Shares.
- (d) Any notice given or made in accordance with this Section 5.9 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Corporation and the Rights Agent may from time to time change its address for notice by notice to the other given in the manner aforesaid.

5.10 Costs of Enforcement

The Corporation agrees that if the Corporation, or any other Person the securities of which are purchasable upon exercise of Rights, fails to fulfill any of its obligations pursuant to this Agreement, then the Corporation or such Person will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder in actions to enforce his rights pursuant to any Rights or this Agreement.

5.11 Regulatory Approvals

Any obligation of the Corporation or action or event contemplated by this Agreement, shall be subject to applicable law and to the receipt of any requisite approval or consent from any governmental or regulatory authority including, without limitation, the Exchange. Without limiting the generality of the foregoing, any issuance or delivery of debt or equity securities (other than non-convertible debt security) of the Corporation upon the exercise of Rights and any amendment to this Agreement shall be subject to the applicable prior consent of the stock exchanges on which the Common Shares are from time to time listed.

Unless provided with written notice to the contrary, the Rights Agent is entitled to assume that all such necessary consents and approvals have been obtained.

5.12 Declaration as to Non-Canadian and Non-United States Holders

If, upon the advice of outside counsel, any action or event contemplated by this Agreement would require compliance with the securities laws or comparable legislation of a jurisdiction outside Canada and the United States of America, the Board acting in good faith may take such actions as it may deem appropriate to ensure that such compliance is not required, including without limitation establishing procedures for the issuance to a Canadian resident Fiduciary of Rights or securities issuable on exercise of Rights, the holding thereof in trust for the Persons entitled thereto (but reserving to the Fiduciary or to the Corporation, as the Corporation may determine, absolute discretion with respect thereto) and the sale thereof and remittance of the proceeds of such sale, if any, to the Persons entitled thereto. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to Persons who are citizens, residents or nationals of any

jurisdiction other than Canada and any province or territory thereof and of the United States of America and any state thereof in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

5.13 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

5.14 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

5.15 Effective Date, Confirmation and Shareholder Review

This Agreement is effective as of and from the Effective Date, subject to receipt of all required regulatory approvals and shall amend, restate and replace in its entirety, the Amended and Restated Rights Plan. Provided a Flip-in Event has not occurred prior to such time, this Agreement must be ratified and affirmed by a resolution passed by a majority of the votes cast by Independent Shareholders who vote in respect of the approval of this Agreement at the Corporation's 2019 annual meeting of shareholders and then at such annual meeting of shareholders to be held every three years thereafter. If the Company does not request that its shareholders confirm this Agreement in accordance with this section, or if a majority of the votes cast by Independent Shareholders who vote in respect of such resolution are voted against the continued existence of this Agreement, then the Board shall, immediately upon the confirmation by the chairman of such shareholders' meeting of the result of the vote on such resolution and without further formality, be deemed to have elected to redeem the Rights at the Redemption Price and this Agreement and any outstanding Rights shall be of no further force and effect.

5.16 Determinations and Actions by the Board

All actions, calculations, interpretations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board, in good faith:

- (a) may be relied upon by the Rights Agent (and in the case of reliance by the Rights Agent, the good faith of the Board shall be presumed); and
- (b) shall not subject the Board to any liability to the holders of the Rights or to any other parties.

5.17 Force Majeure

No party shall be liable to the other, or held in breach of this Agreement, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by

reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Agreement shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.

5.18 Governing Law

This Agreement and the Rights issued hereunder shall be deemed to be a contract made under the laws of the Province of British Columbia and for all purposes will be governed by and construed in accordance with the laws of such province applicable to contracts to be made and performed entirely within such province.

5.19 Language

Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent ou qui en coulent soient rédigés en langue anglaise. The parties hereto have required that this Agreement and all documents and notices related thereto or resulting therefrom be drawn up in English.

5.20 Counterparts

This Agreement may be executed in any number of counterparts and by facsimile or email transmission, and each of such counterparts will for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

5.21 Severability

If any term or provision hereof or the application thereof to any circumstance is, in any jurisdiction and to any extent, invalid or unenforceable, such term or provision will be ineffective only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

[Remainder of page intentionally left blank.]

5.22 Time of the Essence

Time shall be of the essence hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed effective the 20th day of June, 2017.

CONIFEX TIMBER INC.

**COMPUTERSHARE INVESTOR
SERVICES INC.**

By: _____

By: _____

By: _____

SCHEDULE A

to the Amended and Restated Shareholder Rights Plan Agreement made as of June 20, 2017,
between Conifex Timber Inc. and Computershare Investor Services Inc.

[Form of Rights Certificate]

Certificate No.

Rights

THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE CORPORATION, ON THE TERMS SET FORTH IN THE AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBSECTION 3.1(b) OF SUCH AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON, CERTAIN RELATED PARTIES OF AN ACQUIRING PERSON OR A TRANSFEREE OF AN ACQUIRING PERSON OR ANY SUCH RELATED PARTIES WILL BECOME VOID WITHOUT FURTHER ACTION.

Rights Certificate

This certifies that _____ is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Amended and Restated Shareholder Rights Plan Agreement made as of _____, 2017, as such agreement may from time to time be amended, restated, varied or replaced (the "**Rights Agreement**") between Conifex Timber Inc., a company incorporated under the laws of Canada, (the "**Corporation**") and Computershare Investor Services Inc., a trust company incorporated under the laws of the Canada, as Rights Agent (the "**Rights Agent**"), which term shall include any successor Rights Agent under the Rights Agreement, to purchase from the Corporation, at any time after the Separation Time and prior to the Expiration Time (as such terms are defined in the Rights Agreement), one fully paid common share of the Corporation (a "**Common Share**") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate, together with the Form of Election to Exercise appropriately completed and duly executed, to the Rights Agent at its principal office in Vancouver, British Columbia. Until adjustment thereof in certain events as provided in the Rights Agreement, the Exercise Price shall be an amount equal to five times the Market Price (as defined in the Rights Agreement) per Common Share determined as of the Separation Time per Right (payable in cash, certified cheque or money order payable to the order of the Corporation).

The number of Common Shares which may be purchased for the Exercise Price is subject to adjustment as set forth in the Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holder of the Rights Certificates. By acceptance hereof, the holder is deemed to accept, and agrees to be bound by the terms of the Rights Agreement. Copies of the Rights Agreement are on file at the registered office of the Corporation and are available upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the principal office of the Rights Agent in Vancouver, British Columbia may be exchanged for another Rights Certificate or Rights Certificates of like tenor evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

In certain circumstances described in the Rights Agreement, each Right evidenced hereby may be adjusted so as to entitle the registered holder thereof to purchase or receive securities or shares in the capital of the Corporation other than Common Shares or more or less than one Common Share (or a combination thereof), all as provided in the Rights Agreement. The number of Common Shares which may be purchased for the Exercise Price is subject to adjustment as set forth in the Rights Agreement.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Corporation at a redemption price of \$0.00001 per Right subject to adjustment in certain events.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of any meeting or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation.

Date: _____

CONIFEX TIMBER INC.

**COMPUTERSHARE INVESTOR
SERVICES INC.**

By: _____

By: _____

FORM OF ELECTION TO EXERCISE

TO: CONIFEX TIMBER INC.
AND TO: COMPUTERSHARE INVESTOR SERVICES INC.

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by this Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such Common Shares be issued in the name of and delivered to:

Rights Certificate No. _____

Name

Address

City and Province

Social Insurance No. or other taxpayer
identification numbers

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Name

Address

City and Province

Social Insurance No. or other taxpayer
identification numbers

Date: _____

Signature

Written Signature Guaranteed

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without

alteration or enlargement or any change
whatsoever)

Signature must be guaranteed by a Canadian chartered bank or trust company, a member of a recognized stock exchange in Canada or a member of the Securities Transfer Association Medallion (STAMP) Program.

(To be completed by the holder if true)

The undersigned hereby represents, for the benefit of the Corporation and all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or by an Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of any such other Person (as such terms are defined in the Rights Agreement).

Signature

NOTICE

In the event that the certifications set forth above in the Form of Election to Exercise and Assignment are not completed, the Corporation shall deem the Beneficial Owner of the Rights represented by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please print name and address of transferee)

the Rights represented by this Rights Certificate, together with all right, title and interest therein.

Date: _____

Signature: _____

Written Signature Guaranteed

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature must be guaranteed by a Canadian chartered bank or trust company, a member of a recognized stock exchange in Canada or a member of the Securities Transfer Association Medallion (STAMP) Program.

(To be completed by the assignor if true)

The undersigned hereby represents, for the benefit of the Corporation and all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not and, to the knowledge of the undersigned have never been, Beneficially Owned by an Acquiring Person or by an Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of any such other Person (as such terms are defined in the Rights Agreement).

Signature

(Please print name below signature)

NOTICE

In the event that the certifications set forth above in the Form of Election to Exercise and Assignment are not completed, the Corporation shall deem the Beneficial Owner of the Rights represented by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void.