



CONIFEX

CONIFEX TIMBER INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2019

March 23, 2020

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INTRODUCTION

All dollar amounts in this annual information form (this "**Annual Information Form**") are in Canadian dollars, unless otherwise indicated. A reference to "we", "our", "us", "Company" or "Conifex" in this document is to the consolidated operations of Conifex Timber Inc. and its subsidiaries, unless the context otherwise requires. Our reporting currency is the Canadian dollar. Some figures and percentages may not total exactly due to rounding. Unless otherwise expressly stated or the context otherwise requires, the information in this Annual Information Form is given as of December 31, 2019.

We have obtained certain information contained in this Annual Information Form concerning the industries in which we operate from publicly available information from third party sources. We have not verified the accuracy or completeness of any information contained in such publicly available information. In addition, we have not determined if any such third party has omitted to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information became publicly available or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements and forward-looking information (collectively, the "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements are presented to provide guidance to the reader, but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or that state that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or be achieved, and the negative forms thereof. Forward-looking statements involve significant risks and uncertainties and, by their nature, are based on our estimates and assumptions, which are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, and accordingly should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such results, level of activity, performance or achievements will or may be achieved. These forward-looking statements reflect our current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form.

The forward-looking statements in this Annual Information Form include, but are not limited to, statements regarding: the realization of expected benefits of completed, current and any contemplated capital projects and the expected timing and budgets for such projects; the growth and future prospects of our business; our results of operations and performance; our perception of the industries or markets in which we operate and anticipated trends in such markets and in the countries in which we do business; our ability to supply our manufacturing operations with wood fibre and the cost of wood fibre; our expectation for market volatility associated with the softwood lumber dispute with the U.S.; that we could be negatively impacted by the duties or other protective measures on our products, such as antidumping duties or countervailing duties on softwood lumber; continued positive relations with Aboriginal groups; the development of a longer-term capital plan and the expected benefits therefrom; demand and prices for our products; our ability to develop new revenue streams; the use of credit facilities or proceeds therefrom; and future capital expenditures. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements may include, but are not limited to, our future debt levels; that we will complete our projects in the expected timeframes and as budgeted; that we will effectively market our products; that capital expenditure levels will be consistent with those estimated by our management; our ability to obtain financing on acceptable terms, or at all; that interest and foreign exchange rates will not vary materially from current levels; the general health of the capital markets and the lumber industry and the general stability of the economic environments within the countries in which we operate or do business.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to:

- fluctuations in prices and demand for and selling price of lumber;
- liquidity risk;

- public health crises, including COVID-19;
- currency risk;
- fibre availability and cost;
- competition;
- the softwood lumber trade dispute;
- capital projects;
- wood dust management;
- transportation limitations;
- operational curtailments;
- regulatory risks;
- reliance on directors, management and other key personnel;
- information systems security threats;
- natural and human made disasters and climate change;
- forest health, including the mountain pine beetle and spruce beetle infestation;
- environment;
- stumpage fees;
- Aboriginal claims;
- labour relations;
- maintenance obligations and facility disruptions;
- periodic litigation; and
- tax exposures.

Given these and other known and unknown risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Readers are cautioned that although the forward-looking statements contained in this Annual Information Form are based upon what we believe to be reasonable assumptions at the time at which they were made, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this Annual Information Form and we disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. All forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Readers should refer to our filings under our SEDAR profile at www.sedar.com for further information about the factors affecting forward-looking statements and management's assumptions and analysis thereof.

DESCRIPTION OF OUR BUSINESS

Business Overview

We are a British Columbia forestry company operating in lumber and bioenergy. Our lumber operations are primarily involved in the manufacture, sale and distribution of dimension lumber through our sawmill located in Mackenzie, British Columbia. Our bioenergy facility is located adjacent to our Mackenzie sawmill.

We operate a 2-line sawmill in Mackenzie, British Columbia. We hold a forest licence in the timber supply area ("TSA") in and around Mackenzie with an allowable annual cut ("AAC") of 632,500 cubic metres, and also own 50% of a joint venture which holds a forest licence with an AAC of 300,000 cubic metres in the same TSA. Our Mackenzie mill has approximately 240 million board feet of annual lumber capacity on a two-shift basis.

We operate a 36 megawatt biomass power generation plant in Mackenzie, British Columbia, located at the site of our Mackenzie mill. Our power plant's output capacity is in excess of 230 gigawatt hours ("GWh") of electricity per year. We have executed an electricity purchase agreement ("EPA") and a related load displacement agreement ("LDA") with the British Columbia Hydro and Power Authority ("BC Hydro"). Under the EPA, BC Hydro agreed to purchase approximately 200 GWh of electrical energy annually over a 20-year term for a fixed price, and under the LDA we agreed to supply the energy requirements of our Mackenzie mill over the same 20-year term.

Corporate Strategy

Our long-term strategy is to build Canada's premier, next generation forestry company that is a world leader in responsibly maximizing fibre value.

Our near-term business strategy seeks to capitalize on our existing forestry assets, located in a relatively abundant fibre supply region, to build a margin-focused lumber business to compete successfully with the best mills in North America. To this end, our strategy involves:

- maintaining and further expanding access to plentiful supplies of quality sawlogs at competitive prices;
- operating an efficient lumber converting facility;
- investing in targeted, high return capital projects to expand production volumes, improve lumber grade and quality and lower cash conversion costs;
- producing and selling high-value softwood lumber in demand by North American and offshore markets;
- establishing superior marketing and logistics capabilities;
- optimizing revenues from the sale or utilization of by-products and residues from our logging and sawmilling activities;
- producing renewable energy for commercial sale; and
- pursuing strategic opportunities to develop new revenue streams around our core lumber business.

We seek to manage our business with a focus on "EBITDA" (earnings before finance costs, taxes, depreciation and amortization), and responsibly maximizing the value of our fibre resources through the production cycle, from the initial planning of our logging operations and log purchases to the production, marketing and sale of our lumber products and residuals.

Corporate Structure

We were incorporated under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the "CBCA") on May 17, 2007 under the name "West Fourth Capital Inc.", and changed our name to "Conifex Timber Inc." on June 3, 2010. Our head office address is 980, 700 West Georgia Street, Vancouver, British Columbia V7Y 1B6, and our registered and records office address is 1000, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.

As at the date hereof, our significant direct and indirect wholly-owned subsidiaries, each of which is organized under the laws of British Columbia, are as follows: Conifex Fibre Marketing Inc., Conifex Mackenzie Forest Products Inc., Conifex Power Inc. and Conifex Power Limited Partnership.

Recent Developments

Subsequent to year end, in February 2020, we sold our U.S. sawmill business, consisting of our El Dorado, Cross City and Glenwood sawmills for approximately US\$163 million, plus estimated working capital of US\$13 million. We utilized a majority of the proceeds from the sale to repay our lumber segment credit facility in full. The sale followed negotiations with our lenders through 2019, pursuant to which we agreed to divest certain of our assets (including our U.S. operations), and our lenders agreed to waive certain financial covenants and milestones under the credit facility and provide additional short-term liquidity.

Our term loan secured against our power assets represents substantially all of our remaining long-term debt.

Three Year History

The following summarizes certain material developments of our business over the past three fiscal years.

Sale of Fort St. James Assets

In November 2019, in connection with our asset divestment plan, we completed the sale of our Fort St. James sawmill and associated forest license for approximately \$38.6 million. The proceeds were used to pay down our lumber segment credit facility. See "*Recent Developments*" above.

Sale of Countervailing and Anti-Dumping Duty Refunds

In summer 2019, we completed sales of our interest in certain duty refunds related to entries of softwood lumber shipments from 2017 to the first half of 2019 for US\$13.9 million, representing 42.5% of such duty deposits.

Labour Agreement with United Steel Workers

The United Steel Workers Union ("USW") represents our unionized employees. In December 2019, we signed a new five-year collective agreement with the USW for our Mackenzie mill employees, and in January 2020 our unionized employees for our power plant also ratified a new five-year collective agreement with the USW. Both agreements are retroactive to July 1, 2018 and expire on June 30, 2023.

Sale of Lignum Forest Products LLP

In April 2019, we completed the sale of our subsidiary Lignum Forest Products LLP for approximately US\$11.5 million, including approximately US\$10.5 million for net working capital.

Financings

The following summarizes certain of our financings over the past three fiscal years.

\$70 Million Secured Term Loan

In October 2018, we completed a \$70 million secured term loan with a syndicate of private lenders for our power operations. The loan has a 15-year term and is secured by substantially all of our power assets and is non-recourse to our other operations. The loan is expected to be fully amortized over its 15-year term. We used the net proceeds from the loan to repay the previous term loan facility for our power plant.

Subscription Receipt Offering

In connection with the acquisition of our U.S. sawmill business in July 2018, we completed a public offering of 10,806,332 million subscription receipts (the "**Subscription Receipts**") at a price of \$6.00 per Subscription Receipt for gross proceeds of \$64.8 million. We used the net proceeds from the offering toward the acquisition of our U.S.

sawmill business. Each Subscription Receipt was converted into a common share on closing of the acquisition. See "Recent Developments" above.

Offering and Private Placement

In March 2017, we completed a "bought-deal" public offering of 3.45 million common shares at a price of \$3.05 per share. Subsequently, we completed a private placement of 1.6 million common shares to an existing shareholder at the same price. We used the net proceeds from the financings to partially repay outstanding indebtedness under a previous credit facility.

Lumber Segment Credit Facility

In 2017, we entered into a US\$130 million secured revolving credit facility arranged and led by Wells Fargo Capital Finance Corporation Canada. We repaid the credit facility in full in July 2018 with proceeds from our new lumber segment credit facility, which itself was repaid subsequent to year end. See "Recent Developments" above.

Forest Resources

Timber is a renewable resource and has the potential to yield a predictable and stable resource volume over an indefinite period of time. We believe that our forestry operations are conducted in an ecologically sound and environmentally sustainable fashion.

Timber Tenures

Crown land comprises approximately 95% of all lands in the Province of British Columbia. Under the *Forest Act*, RSBC 1996, c 157 (the "**Forest Act**") and the *Forest and Range Practices Act*, SBC 2002, c 69 (the "**FRPA**"), the Ministry of Forests, Lands and Natural Resource Operations (the "**Ministry of Forests**") regulates forestry operations on these lands and grants various forms of timber tenures to provide the private sector with secure access to forest resources. The majority of Crown timber tenures provide licence holders with medium to long-term harvesting rights. The provincial government is responsible for setting the AAC, approving forest stewardship plans and cutting permits, determining the stumpage charges and managing compliance and enforcement.

Long-term harvesting rights are typically granted in the form of replaceable forest licences. The Ministry of Forests issues replaceable forest licences for a term of 15 years, and, subject to satisfying certain performance criteria, the Ministry of Forests must offer the licences for additional terms of 15 years. Compliance with applicable forest legislation and the prompt payment of dues, fees and stumpage charges form the basis of the performance criteria. Replaceable forest licences are volume-based, meaning that, within a TSA, there are no exclusive harvesting rights available to any licensee in any particular geographically defined operating area. Each licensee has the right to harvest, subject to approval of its forest stewardship plan, within the entire TSA.

Our Mackenzie forest licence has an AAC of 632,500 cubic metres. We also own 50% of a joint venture that holds a forest licence with an AAC of 300,000 cubic metres. The joint venture is subject to a timber harvesting cooperation agreement with our joint venture partner.

Timber Supply Areas

Our forestry and logging operations in Canada are located in the Mackenzie TSA. The Mackenzie TSA has an AAC of 4.5 million cubic metres and a timber harvesting landbase estimated at approximately 15,000 square kilometres (approximately 7% of the provincial total). Our operating areas within the Mackenzie TSA have a timber profile comprised primarily of spruce and lodgepole pine, and including balsam fir as well as some other species.

Fibre Supply and Requirements

Our lumber manufacturing operations are dependent on the consistent supply of sawlog fibre. Wood fibre is the single largest input cost and typically accounts for over 50% of the cash cost of producing lumber. A number of factors affect fibre costs, including harvesting locations and delivery distances from forest to mill, weather conditions, normal competitive market pressures relating to harvesting and hauling contractors, stumpage fees, reforestation and regional log market influences. A high degree of fibre self-sufficiency reduces our exposure to uncertainties in the open market for fibre. Our forestry group is responsible for sourcing an adequate supply of suitable logs for our

Mackenzie mill at competitive costs. We believe that we have an excellent timber base with a significant amount of high-quality fibre within economic reach of our mill.

Based on estimated 2020 production levels, we expect our tenures in British Columbia can supply all of our anticipated log consumption at the Mackenzie mill. We do not necessarily consume the maximum permitted volume of logs that may be harvested from our tenures annually and may adjust between tenure and purchased logs depending on a number of factors, including the availability of logs. Long-term management agreements with other tenure holders, including First Nations, and open market log purchases are available to us in addition to our tenured log supply. Open market log purchases for our Mackenzie mill come primarily from the following sources:

- BC Timber Sales (Crown managed and auction-based);
- First Nations (various forms of Crown tenures issued to First Nations groups);
- community forests (area-based Crown tenures issued to qualifying communities);
- woodlots (area-based Crown tenures issued to qualifying individuals); and
- non-replaceable forest licences (bid-tendered or direct awarded to qualifying companies or First Nations groups).

Forest Management Strategy

We are responsible for the management of forest resources under our tenures in accordance with the requirements of applicable laws. We manage all of the Crown timberlands on which we conduct harvesting operations on a sustainable harvest basis, which means that the volume of timber harvested over a rotation period (typically 70-100 years) is planned not to exceed the volume of incremental growth over the same period. We employ progressive forest management practices aimed at enhancing timber yields while protecting diverse forest values and maintaining healthy forest ecosystems. To provide independent verification of the sustainability of our forest management activities and compliance of our timber procurement systems with applicable regulations, we have achieved certification under the *Sustainable Forestry Initiative* (SFI[®]), an internationally-recognized environmental management standard. Our commitment to sustainable forestry is implemented using our environmental management system ("**EMS**"), which we use to monitor our performance in meeting our sustainable forest management goals.

We carry out our forest management responsibilities through a team of forest professionals that oversee a wide range of activities, including resource planning, road building and harvesting, reforestation, forest protection and environmental certification. We use independent logging contractors to carry out harvesting and associated road building activities in our TSA, who are expected to meet all safety, environmental and forest management standards that we establish. We may regularly monitor our contractors' performance to ensure adherence to our standards and to applicable legislation.

We reforest all Crown lands that we harvest in accordance with the standards required under the FRPA and use site-specific silviculture techniques to help ensure prompt forest regeneration after harvesting. The regeneration commitment requires established stands of suitable tree species to reach a "free-growing" state unimpeded by competition from other plants, a process that typically takes 12-20 years. We are relieved of any further obligations once the Crown accepts our professional forester's "declaration" of a stand as free-growing.

The forests on our timber tenures are at risk of damage from natural and human-caused forest fires. The BC Wildfire Service provides fire suppression services for which we are assessed an annual fee based on our AAC. We prepare an annual emergency preparedness and response plan and maintain centralized fire equipment caches for each applicable forestry and sawmilling operation. Our forestry staff and logging contractors are trained and equipped to suppress wildfires and assist BC Wildfire Service personnel as necessary.

For further details on our environmental management system and certification related to forest management, see "*Description of Our Business – Environment, Health and Safety – Environmental Management*".

Forest Health

The mountain pine beetle ("**MPB**") infestation, which peaked more than a decade ago, has resulted in the mortality of a significant portion of the mature pine trees in the interior region of B.C. The impact of this outbreak has

affected the timber supply in the interior of B.C. The short and medium-term effects include a reduction in future AAC levels to below current and pre-MPB AAC levels, a diminished grade and volume of lumber recoverable from MPB-killed logs and increased logging and sawmilling production costs. However, as the economically viable harvest of MPB infested forest types diminishes, harvesting activities within the interior region of B.C. are transitioning to mixed forest types with higher volumes of green timber.

The eastern and southern portions of the Mackenzie TSA have recently seen an outbreak of the spruce beetle. As a result, we expect to shift harvesting into timber stands that are under imminent threat or have a high susceptibility to beetle infestation.

Forest Policy and Regulation

Allowable Annual Cut Determination

The Chief Forester for British Columbia determines the AAC for each TSA after considering various factors, including forest composition and expected rate of growth, length of time to re-establish a forest after harvesting, silviculture treatments, timber utilizations standards, constraints on the extraction of timber, economic and social objectives of government and forest health. Tenure holders may vary harvest levels from year to year provided that the cumulative harvest within a five-year cut control period does not exceed the cumulative AAC for the period by more than 10%.

In 2014, the Ministry of Forests increased the AAC for the Mackenzie TSA to 4.50 million cubic metres, subject to certain limitations for non-pine leading stand volume. The AAC is scheduled for review within the next 5 years.

Stumpage Charges

Substantially all of our log requirements for our Mackenzie mill are harvested from Crown lands in British Columbia. The Province of British Columbia charges stumpage fees to companies that harvest timber from Crown land. Stumpage fees for a specific harvesting area are based on a competitive market pricing system ("MPS") that has been established for the interior region of British Columbia. The stumpage system is complex and the subject of discussion involving, among other things, lumber trade agreements between Canada and the United States. The primary variable in the MPS is log pricing established through an open market auction for standing timber administered by BC Timber Sales, a Crown agency. In addition to bid prices, there are a number of operational and administrative factors that will influence individual stumpage rates for each cutting permit. Stumpage rates are also adjusted quarterly to reflect changes in lumber prices and inflation in input costs.

Lumber Segment

Our lumber segment's primary business activities include timber harvesting, reforestation, forest management and the manufacture, sale and distribution of dimension lumber. We currently operate the Mackenzie mill which manufactures kiln-dried lumber primarily for the construction markets in the United States, Canada and Japan and the remanufacturing market in China.

The Mackenzie mill is located in Mackenzie, British Columbia, a community approximately 192 kilometres north of Prince George, British Columbia. The Mackenzie mill has approximately 240 million board feet of annual lumber capacity on a two-shift basis, as well as timberland operations that have 782,500 cubic metres of high-quality harvestable AAC under the Mackenzie forest licences from Crown-owned land. In 2019, the Mackenzie mill produced approximately 152 million board feet of finished lumber.

Products from the Mackenzie mill

Lumber

Our Mackenzie mill principally manufactures finished softwood lumber from spruce, pine and fir logs. The lumber produced by the Mackenzie mill ranges in size from two by four inches to two by ten inches and in lengths from six feet to sixteen feet and come in a variety of grades ranging from lower grades, such as economy and #3, to higher grades, such as #2 & Better, Select or Premium and J Grade.

By-Products

The process of manufacturing lumber results in approximately 50% of each sawlog producing lumber and 50% ending up as by-products or residues, such as wood chips, trim blocks, sawdust, shavings and bark. By-products are typically sold to a wide variety of customers, such as pulp and paper producers and manufacturers of secondary products. Such customers are typically located within close geographical range to minimize freight costs, which can comprise a substantial component of the total delivered costs of such lower value products. We sell wood chips produced at the Mackenzie mill to third parties pursuant to existing residual chip supply agreements. Since May 2015, the Mackenzie power plant has utilized the main portion of sawdust, shavings and bark from our Mackenzie mill.

Marketing, Sales and Distribution

The main markets for our lumber products are the United States, China, Canada and Japan. The following table shows the percentage of our net lumber revenue earned from and volume shipped to each geographic market (Conifex produced lumber only):

Lumber Sales by Geographic Market (unaudited)	Year Ended	Year Ended
	December 31,	December 31,
	2019	2018
	(%)	(%)
By Revenue (net of freight)		
United States	59	57
China	13	13
Canada.....	13	14
Japan	14	12
Other export	1	4
	100	100
By Shipment Volume		
United States	55	54
China	20	21
Canada.....	15	13
Japan	9	8
Other export	1	4
	100	100

We foster a diversified customer base in each of our key markets and no single customer accounted for 10% or more of our sales in 2019.

Our customers include national and regional distributors, secondary manufacturers, retail yards and home centres, which typically purchase lumber in truck, rail or container load quantities. The residential construction, repair and remodeling industry consumes the majority of softwood lumber in North America. China's demand for softwood lumber includes a significant market for industrial applications, such as concrete forming and packaging, as well as a potential to consume higher-grade lumber in furniture manufacturing and wood-frame construction. Demand for softwood lumber is cyclical and influenced by transportation costs, exchange rates, government tariffs and competitiveness of substitute products, as well as by factors that affect consumer confidence and drive demand for residential construction, such as the level of interest rates, disposable income, unemployment rates, perceived job security and other indicators of general economic conditions. Demand can vary from region to region within a country, and seasonal factors that determine optimal building conditions can also affect demand.

We ship the majority of lumber from our Mackenzie mill destined for the United States and Canada by rail, with the balance shipped by truck, whereas we ship lumber for customers in China and Japan in containers aboard ocean-going vessels.

The following table sets forth our sales revenue by product at our Mackenzie and Fort St. James mills and wholesale lumber shipments for the year ended December 31, 2019 and the year ended December 31, 2018:

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(in millions)	
Sales by Product⁽¹⁾		
Lumber - Produced by Conifex	\$ 106.2	\$ 284.0
Lumber - Wholesale	15.6	38.2
By-Product	9.8	30.1
	\$ 131.6	\$ 352.3

Notes:

- (1) Excludes sales from the El Dorado, Cross City and Glenwood sawmills, 0318587 B.C. Ltd. (previously Navcor Transportation Services Inc.) and Lignum Forest Products LLP, all of which are classified as discontinued operations for the 2019 financial year. Total sales revenue in 2019 and 2018, including all discontinued operations, was \$356.4 million and \$643.1 million, respectively. For more information on discontinued operations, see "Recent Developments" and "Description of our Business – Three Year History – Sale of Lignum Forest Products LLP" above.

We operate in a cyclical industry, and our quarterly trends are impacted by the seasonal nature of activities, such as logging and construction and remodeling activities. Fibre inventories at our Mackenzie mill also exhibit seasonal swings as we increase log inventories during the fall and winter to help ensure an adequate supply of fibre during the spring when logging operations may be curtailed due to unstable road conditions and our source waterborne log deliveries. Our operating rates are typically lower, and our manufacturing costs higher, toward the end of each year due to planned curtailments related to seasonal holidays.

Competitive Conditions

The markets for our lumber products are highly competitive on a global basis, and producers compete generally on price, quality and service. Factors influencing our competitive position include, among others, the availability, quality and cost of raw materials, including fibre, energy and labour, and the efficiency and productivity of our mill in relation to our competitors. Like others in the forest products industry, we compete in an international market subject to currency fluctuations and global business conditions. We also compete indirectly with firms that manufacture substitutes for solid wood products, including non-wood and engineered wood products.

We compete against many producers, a number of whom own and operate more mills than we do, and some of our competitors have greater financial resources or lower production costs than us. We believe our competitive strengths include a secure and high quality timber base, positive relations with Aboriginal groups and the communities within which we operate, low asset acquisition costs and a committed board of directors and management team.

Capital Expenditures

To date, capital improvement projects undertaken at the Mackenzie mill have been focused on improvements in finishing processes, including the installation of kilns for drying lumber and automated lumber grading systems, and projects to replace and upgrade aging equipment and projects related to safety and asset protection. In 2019, capital expenditures for our Mackenzie mill consisted primarily of infrastructure improvements to support log deliveries, maintenance of business projects and the acquisition of mobile equipment.

Bioenergy Segment

Our Mackenzie power plant consists of a 36 megawatt biomass power plant in Mackenzie, British Columbia. The primary feedstock for the power plant is sourced from a portion of the residuals and former waste products produced at our lumber manufacturing and log harvesting operations.

The power plant utilizes proven technology and can produce in excess of 230 GWh of electricity per year, providing a stable and diversified source of revenue as well as an assured market for a portion of the sawmill residuals produced by our Mackenzie mill. We have executed the EPA and related LDA with BC Hydro. Under the EPA, BC Hydro agreed to purchase from us approximately 200 GWh of electrical energy annually over a 20-year term for a fixed price. The application of a "time of delivery factor" to the fixed price has a seasonal effect on our quarterly

revenues from this segment, with the lowest revenues generally in the second quarter and the highest in the first and fourth quarters. Under the LDA, we must meet and supply the electricity requirements of our Mackenzie mill over the same 20-year term.

The Mackenzie power plant sold approximately 211 GWh hours of electricity in 2019 under the EPA with BC Hydro, which represented approximately 96% of our targeted operating rates.

Softwood Lumber Dispute

On November 25, 2016, a coalition of U.S. lumber producers petitioned the U.S. Department of Commerce ("USDOC") and the U.S. International Trade Commission ("USITC") to investigate alleged subsidies to Canadian producers by the federal and provincial governments, and to therefore levy countervailing and antidumping duties against Canadian imports of softwood lumber.

On December 28, 2017, the USITC published its notice of final affirmative determination of material injury, which brought into effect the final amended "all other" CVD rate of 14.19% and ADD rate of 6.04%, for a combined rate of 20.23%.

Based on the final rates published by the USITC, the combined CVD and ADD rates averaged approximately 20.23% in 2019 and 2018. Our 2019 operating results include a CVD and ADD deposits expense based on the final rates on softwood lumber shipments to the U.S.

Like other Canadian forest product companies and the Canadian federal and provincial governments, we deny the U.S. allegations and disagree with the final determinations made by the USDOC and USITC, and, collectively, continue to aggressively defend the Canadian industry in this trade dispute. The federal government has initiated dispute proceedings with the North American Free Trade Agreement panels and the World Trade Organization.

On February 3, 2020, the USDOC issued preliminary revised combined rates of 8.37% for 2017 and 8.21% for 2018. These rates are the result of the USDOC's administrative review and are subject to change until its final rate determinations which are expected in August 2020. At such time, the final rates will be applied to new lumber shipments. The second administrative review covering the 2019 fiscal period will commence in 2020 and results are not expected to be finalized until 2021.

Human Resources

As at December 31, 2019, we had 288 employees in Canada, including 202 unionized employees represented by the USW, and 332 employees in the United States. In Canada, a total of 251 of our employees were employed in our lumber segment and 37 were employed in our bioenergy segment. The USW represents our unionized employees at our Mackenzie operations, and represented our previous employees at our Fort St. James mill.

We are a member of the Council of Northern Interior Forest Employment Relations ("**Conifer**"), which represents forest products companies in the northern interior region of British Columbia in negotiations with the USW. Since our business strategies and philosophies may diverge from those common to other Conifer members, labour negotiations by this association may not always best meet our needs. We have the flexibility to continue to work with Conifer or to work independently of the association with respect to human resources matters.

Environment, Health and Safety

Health and Safety

Providing a safe work environment for our employees has always been a top priority for our board of directors (the "**Board**") and management team. We have developed and implemented a comprehensive safety plan to provide clear communication on safety requirements, processes and expectations, and which includes a requirement that contractors provide reasonable assurances to us that requisite safety requirements are met.

Our focus on safety and workplace hazard mitigation also includes continual reinforcement of workplace safety with all of our employees, participation in an industry task force committed to improving safety in the workplace

and commitment of increased resources to enhance safety leadership, safety innovation and maintenance. In addition, we engage an external auditor each year to conduct an audit of the safety programs at our Mackenzie mill as part of the Certificate of Recognition program offered by WorkSafeBC.

Conifex was recertified by the British Columbia Forest Safety Council (the "**BCFSC**") as a "Safe Company" in 2019. We require contractors that we engage to meet the standards we establish for our own operations. Prior to entering into any contractual agreements in British Columbia, we further require that contractors register and achieve certification as a "Safe Company" with the BCFSC, and we require them to remain in good standing for the term of the agreement.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. We continue to monitor the COVID-19 situation, which is rapidly developing. In addition to adhering to directives from public health officials, we have implemented a flu pandemic contingency plan to guide our employees, contractors, visitors, facilities and operations. Our plan includes identifying essential business activities to help ensure continuity of business, restricting access to our offices and operation sites (including for employees who are feeling ill), asking business partners to engage us by telephone or video conference where possible, eliminating non-essential business travel and requiring self-isolation for employees travelling outside of Canada and increasing the frequency and emphasis on cleaning and sanitizing. As the COVID-19 health-crisis further develops, we will continue to rely on guidance and recommendations from local health authorities and the Centers for Disease Control and Prevention to update our policies. See "*Risk Factors – Natural and Human-Made Disasters and Climate Change*" below.

Environmental Management

Our operations are subject to a wide array of federal, provincial, state and municipal environmental legislation and the respective regulations thereunder. Our Environmental, Health and Safety Committee oversees company-wide efforts for compliance with such legislation. We develop and maintain internal programs, including incurring ongoing capital expenditures, if necessary, to help ensure that our operations comply with applicable laws and standards and to address any instances of non-compliance. We are committed to the responsible stewardship of the environment throughout our operations.

We are committed to undertaking sustainable forestry practices. The goal of sustainable forest management is to ensure that we meet the needs of the present without compromising the ability of future generations to meet their needs. We practice a land stewardship ethic that integrates sound reforestation and harvesting techniques with due consideration for the conservation of soil, air and water quality, biological diversity, wildlife and aquatic habitat, recreation, visual aesthetics and the protection of cultural heritage sites and unique resources.

Our commitment to sustainable forestry is implemented using our EMS. The EMS incorporates internal and third party audits, activity monitoring and system reviews to evaluate our performance in meeting our sustainability goals and to foster continual improvement. We engage KPMG to annually audit our forest practices against the standards of the SFI®. The results of the audit are publicly available, and our forestry operations and timber procurement activities are certified to SFI® standards. We also require our contractors to comply with our EMS and to conform to the requirements of our environmental certifications.

We strive to provide our customers and the end consumers of our by-products with the confidence that the raw materials used in our products originate from sustainably managed forests through our adherence to the requirements of the Program for the Endorsement of Forest Certification ("**PEFC**") Chain of Custody Standard. "Chain of Custody" is the process of tracking forest products from their place of origin through all stages of transfer and production to the final consumer as an end product. Our PEFC Chain of Custody certification covers the production of softwood lumber, sawmill residual chips and by-products produced at our Mackenzie mill to the point of sale.

Aboriginal Claims

The potential existence of Aboriginal title or rights over substantial portions of British Columbia, including the areas of our timber tenures, has created uncertainty with respect to property rights and natural resource development in British Columbia. In 1997, the Supreme Court of Canada (the "**SCC**") determined that Aboriginal peoples may possess rights in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with those rights. Such treaties cover very few areas of British Columbia.

In 2004, the SCC confirmed that, in certain circumstances, the Crown must consult with and, when appropriate to do so, accommodate Aboriginal groups by minimizing interference with their interests. In one case, the SCC found aboriginal title to be held by the Tsilhqot'in Nation in respect of an area that is about 0.2% of British Columbia (the "**Tsilhqot'in Decision**"). While we do not operate in the area involved in the Tsilhqot'in Decision, the SCC's ruling may lead other Aboriginal groups in British Columbia to pursue Aboriginal title in their traditional land-use areas. Although this has created uncertainty, the SCC decision has not led to any fundamental changes in how we conduct our lumber and sawlog operations.

Additionally, the Canadian Federal government and the Province of British Columbia have made commitments to review their relationships with aboriginal groups, British Columbia has adopted the United Nations Declaration on the Rights of Indigenous Peoples ("**UNDRIP**") and the Canadian Federal government has expressed its support for UNDRIP.

We believe that our dealings with Aboriginal groups, since we purchased our first sawmill in 2008, have been largely consistent with the principles set out in the Tsilhqot'in Decision. We have been, and remain, committed to fostering long-term relations with Aboriginal groups, including in an environmentally sound manner to minimally impact the communities in which we operate. We have and will continue to operate on the basis that resource companies must meaningfully engage with and foster positive long-term relations with Aboriginal communities.

We rely on the Crown to adequately discharge obligations to Aboriginal groups in order to preserve the validity of actions dealing with public rights, including the granting of Crown timber harvesting rights. The negotiation of treaties with Aboriginal groups and further judgments of the courts may alleviate this uncertainty. However, because the jurisprudence and government policies respecting Aboriginal title and rights and the consultation process continue to evolve, we cannot at this time predict whether Aboriginal claims will have a material adverse effect on our timber harvesting rights, on our ability to exercise or renew them or on our ability to secure other timber harvesting rights in the future.

RISK FACTORS

Investors should carefully consider the risks summarized below and all other information contained in this Annual Information Form before making any investment decision relating to our securities. Some statements in this Annual Information Form (including some of the following risk factors) are forward-looking statements. Please refer to our discussion of forward-looking statements in the introduction to this Annual Information Form. Any one or more of these risks could have a material adverse effect on the value of any investment in our Company and on our business, financial position or operating results and should be taken into account in assessing our activities. The risks noted below do not necessarily comprise all of the risks that we face.

Fluctuations in Prices and Demand for and Selling Price of Lumber

Our financial performance principally depends on the demand for and selling price of lumber, which is subject to significant fluctuations. The markets for lumber are highly volatile and are affected by many factors such as North American economic conditions, including the strength of the U.S. housing market, the Asian market, changes in industry production capacity, changes in inventory levels and other factors beyond our control. In addition, unemployment levels, interest rates, the availability of mortgage credit and the rate of mortgage foreclosures have a significant effect on residential construction and renovation activity, which in turn influence the demand for and price of lumber. A decline in demand and a corresponding reduction in prices for our products may adversely affect our financial condition and results of operations.

Liquidity Risk

Liquidity risk is the risk that a company will be unable to meet its financial obligations on a current basis. We manage liquidity risk through regular cash-flow forecasting and undertaking appropriate financing activities as required. We intend to finance our planned capital expenditures and scheduled debt payments from existing cash reserves and cash flow from operations.

Although we believe our actions will result in sufficient liquidity, there can be no assurance that we will be successful or that market conditions or competition will not work to offset our actions. The availability of funding, or other sources of capital, is dependent on capital markets at the relevant time and may not be available on acceptable

terms or at all. In the event that debt or equity capital is not available on acceptable terms, or at all, in the future, we may need to explore other strategic alternatives. In addition, the term loan for our Mackenzie Power plant (the "**Power Loan**") requires us to satisfy certain financial covenants. There can be no assurance that we will be able to meet such covenants. A failure to meet such covenants could also result in our power lenders accelerating some or all of our then outstanding indebtedness under the Power Loan, which would have a material adverse effect on our business, financial condition and operating results. A failure to meet our financial covenants could also result in our power lenders seeking to enforce their security against our power assets, which would materially adversely affect our business, financial condition and operating results.

Fibre Availability and Cost

The Mackenzie mill's log requirements are met using logs harvested from our timber tenures, by long-term trade and purchase agreements and by purchases on the open market and through timber sale bids. Currently, the timberlands in which we operate are owned by the Province of British Columbia and administered by the Ministry of Forests. The Forest Act empowers the Ministry of Forests to grant timber tenures to producers. The Provincial Chief Forester conducts a review of the AAC for each TSA on a periodic basis, which generally occurs once every five to ten years. This review then provides the basis upon which the AAC for licences issued by the Province of British Columbia under the Forest Act are determined. There are many factors that affect AAC, such as timber inventory, the amount of operable forest land, growth estimates of young forests, regulation changes and environmental and social changes.

We rely on third party independent contractors to harvest timber in areas over which we hold timber tenures. Increases in rates charged by these independent contractors or the limited availability of these independent contractors may increase our timber harvesting costs. Additionally, in order to ensure uninterrupted access to logs harvested from our timber tenures, we must focus on the continuous development of road networks and, in the Mackenzie operating area, the maintenance of remote logging camps and vessels and equipment related to delivery of logs by waterways. In addition, our ability to harvest fibre for use in our operations could be adversely impacted by natural events such as forest fires, severe weather conditions or insect infestations.

Fluctuations in the price, quality or availability of log supply could have a material effect on our business, financial position, results of operations and cash flow.

Public Health Crises, including COVID-19

Our business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of the novel coronavirus that was designated as a pandemic by the WHO on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation.

We may experience business interruption, including suspended or reduced operations at our Mackenzie mill and power plant, expenses and delays, relating to COVID-19 and other such events outside of our control, which could have a material adverse impact on our business, operating results, financial condition and the market for our securities. As at the date of this Annual Information Form, the duration of business disruption internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how we may be affected if such a pandemic persists for any extended period of time. Our exposure to such public health crises also includes risks to employee health and safety. For information on our response to the COVID-19, see "*Environmental, Health and Safety – Health and Safety*" above.

Currency Risk

Our Mackenzie mill sells a significant majority of its lumber at prices denominated in U.S. dollars or based on prevailing U.S. dollar prices, but nearly all of our operating costs and expenses are incurred in Canadian dollars. Therefore, an increase in the value of the Canadian dollar relative to the U.S. dollar reduces the revenue in Canadian dollar terms realized by our Mackenzie mill from sales in U.S. dollars, which reduces operating margin and cash flow

available to fund operations. We are also exposed to the risk of exchange rate fluctuations in the period between sale and payment, which results in significant earnings sensitivity to changes in the Canadian/U.S. dollar exchange rate.

We do not currently hedge our foreign exchange exposure with financial forward or open contracts, as the Canadian/U.S. dollar exchange rate is affected by a broad range of factors, making future rates difficult to predict.

Competition

Markets for our lumber are highly competitive. Our ability to maintain or improve the cost of producing and delivering products to those markets is crucial. Factors such as cost and availability of raw materials, energy, labour, the ability to maintain high operating rates and low per-unit manufacturing costs and the quality of our final products and customer service all affect earnings. Additionally, our products are sold in markets where we compete against many producers, many of whom have larger capacity than us, including when measured by the number of mills owned and operated. Many of our competitors have existed for a longer period of time and have significantly greater financial resources than us.

Commodity products have few distinguishing properties from producer to producer, therefore competition for these products is based primarily on price, which is determined by supply, relative to demand and competition from substitute products. The prices we receive for our products are affected by many factors that are outside of our control and we have little to no influence over the timing and extent of price changes, which can be volatile. Accordingly, our revenues and results from operations may be negatively affected by pricing decisions made by our competitors and by the decision of our customers to purchase products from our competitors.

Softwood Lumber Trade Dispute

Canadian softwood lumber exports to the U.S. have been the subject of trade disputes and managed trade arrangements for the last several decades. After the expiry of the last trade agreement between Canada and the U.S. in 2015, a group of U.S. lumber producers and timberland owners petitioned the USDOC and the USITC to impose trade sanctions against Canadian softwood lumber exports to the U.S. The USDOC announced its preliminary determination on CVD and ADD rates in April and June 2017, respectively. On December 28, 2017, the USITC published its notice of final affirmative determination of material injury, which brought into effect the final amended "all other" CVD rate of 14.19% and ADD rate of 6.04%, for a combined rate of 20.23%. The U.S. duty rate determinations are subject to annual Administrative Reviews, and new rates based on the 2018 Period of Review are expected to be implemented in August 2020. The duties are likely to remain in place until and unless some form of trade agreement can be reached between Canada and the U.S. or a final binding determination is made as a result of litigation. Unless the additional costs imposed by duties can be passed to lumber consumers, the duties will increase costs for Canadian producers and, in certain cases, could result in some Canadian production becoming unprofitable. Whether and to what extent duties can be passed along to consumers will largely depend on the strength of demand for softwood lumber, which is influenced by a number of factors.

Like other Canadian forest product companies and the Canadian federal and provincial governments, we deny the U.S. allegations and disagree with the final determinations made by the USDOC and USITC, and collectively continue to aggressively defend the Canadian industry in this trade dispute. The federal government is appealing the US findings and will defend itself against claims of unfair trade practices made by the U.S. As in previous trade cases, the softwood lumber dispute may take years to resolve through the legal process and remains open to a negotiated settlement at any time.

The emergence of significant demand from China and other export markets in recent years has somewhat reduced our dependence on the U.S. market and the impact of potential cross-border trade disputes. Revenues generated from electricity sales are expected to provide further sources of cash flow diversification to mitigate the adverse effects of trade sanctions on softwood lumber by the U.S.

Cumulative duties of US\$35 million paid by Conifex since inception of the current trade dispute remain held in trust by the US pending the First Administrative Review and conclusion of all appeals of US decisions. We have recorded the duty deposits as an expense. In 2019, we sold our right to refunds of cumulative duties of US\$32.7 million for proceeds of US\$13.9 million. See "*Description of our Business – Three Year History – Sale of Anti-Dumping and Countervailing Duty Refunds*" above.

Capital Projects

We undertake ongoing maintenance activities and capital improvement projects at our facilities. Capital projects require significant commitment of our financial and other resources, and the results of a project may not be immediately known or assessable. We conduct cost-benefit and other analyses prior to the commencement of each capital project to measure the feasibility and expected benefits of proposed projects against pre-established criteria. Each material capital project is approved by our Board. We assign experienced project managers to each project and commit other resources as required, and, to date, have employed demonstrated technology. We are subject to numerous risks related to the undertaking of capital projects, including extensive reliance on third party equipment manufacturers and installers, material cost and time overruns, equipment or technology failure, major unplanned disruptions to existing operations and the failure of a completed project to deliver expected benefits. The realization of any of these risks could have a material adverse effect on our business, financial condition and operating results.

Wood Dust Management

The wood products industry and government regulators continue to make the management of combustible wood dust within sawmill manufacturing facilities a high priority. Conifex continues to take steps to mitigate the risks of combustible dust incident at our Mackenzie mill, including significant capital investment, a formalized wood dust control program, and employee training. Regulatory agencies have implemented various regulatory and inspection initiatives related to wood dust management. Additional regulatory initiatives including stop work conditions within the industry have occurred, and continue to be a possibility.

Transportation Limitations

We rely primarily on third parties for transportation of our products, as well as delivery of raw materials, a significant portion of which are transported by railroads, trucks and ships. If any of our third party transportation providers fails to deliver the raw materials or products or to distribute them in a timely manner, we may be unable to sell those products at full value, or at all, or may be unable to manufacture our products in response to customer demand, which could have a material adverse effect on our financial condition and results of operations. In addition, if any of these third parties ceases operations, suffers labour-related or other disruptions (including blockades), or ceases doing business with us, our operations or cost structure may be adversely impacted. From time to time, we may also face shortages of rail cars, trucks, containers, ships or other transportation methods that may limit raw material deliveries to us and product deliveries by us to our customers, which may have a material adverse effect on our business.

Operational Curtailments

From time to time, we may suspend or curtail operations at our Mackenzie mill, Mackenzie power plant, or one or more of our logging operations in response to market conditions, environmental risks, workplace safety concerns or other operational issues, including power failure, equipment breakdown, dry forest conditions, adverse weather conditions, labour disruptions, fire hazards or public health restrictions. These unscheduled operational suspensions or curtailments could have a material adverse effect on our financial condition and results of operations. Furthermore, pulp and paper mill production curtailments may require sawmills to find other ways to dispose of residual wood fibre and may result in curtailment or suspension of lumber production.

Regulatory Risks

Our operations are subject to extensive general and industry-specific federal, provincial, municipal and other local laws and regulations, including those governing forestry, exports, taxes, employees, labour standards, occupational health and safety, waste disposal, environmental protection and remediation, protection of endangered and protected species and land use and expropriation. We are required to obtain approvals, permits and licences for our operations, which may impose conditions that must be complied with. If we are unable to extend or renew, or are delayed in extending or renewing, a material approval permit or licence, our operations or financial condition could be adversely affected. There is no assurance that these laws, regulations or government policy, or the administrative interpretation or enforcement of existing laws, regulations and government policies, will not change in the future in a manner that may require us to incur significant capital expenditures or could adversely affect our operations or financial condition. Failure to comply with applicable laws or regulations, including approvals, permits and licences and new laws and regulations, could result in fines, penalties or enforcement actions, including orders suspending or curtailing our operations or requiring corrective measures or remedial actions.

Reliance on Directors, Management and Other Key Personnel

Our success depends in part on our ability to attract and retain senior management and other key employees. Competition for qualified personnel depends on, among other things, economic and industry conditions, competitors' hiring practices and the effectiveness of our compensation programs. The loss of, or inability to recruit and retain, any such personnel could impact our ability to execute on our strategies.

Information Systems Security Threats

We use information technologies ("IT") to assist in managing our operations and various business functions. We rely on various IT to process, store and report on our business and to communicate electronically between our facilities, personnel, customers and suppliers. We also use IT to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. We have entered into agreements with third parties for hardware, software, telecommunications and other IT services in connection with our operations. Our operations depend, in part, on how well we and our IT suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, telecommunications failure, hacking, computer viruses, vandalism and theft and other security issues. Our IT systems may also be breached due to employee error, malfeasance or other disruptions. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, misappropriation of sensitive data, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact our reputation, business, financial condition and results of operations or subject us to civil or criminal sanctions.

Although we have not to date experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not incur such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Natural and Human-Made Disasters and Climate Change

Our operations are subject to adverse natural events such as forest fires, severe weather conditions, climate change, timber disease and insect infestation and earthquake activity. These events could damage or destroy our physical facilities or our timber supply, and similar events could also affect the facilities of our suppliers or customers. Any such damage or destruction could adversely affect our financial results.

Changing weather patterns and climate conditions due to natural and human-made causes have added to the unpredictability of the risks to our timber tenures and other standing forests, in particular forest fires, wind storms, insect infestations and disease. Procedures and controls are in place to manage such risk through prevention and early detection. Most of the timber that we harvest comes from Crown tenures, and insurance coverage is maintained only for loss of logs due to fire and other occurrences following harvesting. However, this coverage does not extend to standing timber, and there is no assurance that our coverage would be adequate to provide protection against all eventualities, including natural catastrophes.

In addition, our operations may be adversely affected by fluctuations in the water levels in Williston lake as well as severe weather including wind, snow and rain that may result in our operations being unable to harvest or transport logs to the Mackenzie mill. We are unable to predict the impact of all these factors on our tenures or our forest practices.

While we maintain insurance coverage which we believe is standard in our industry, we cannot predict that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks. As is common in our industry, we do not insure loss of standing timber for any cause.

Forest Health

The MPB infestation is believed to have largely run its course. However, the MPB infestation's impact on our operations remains uncertain. The potential effects include a reduction in future AAC levels to below current and pre-MPB AAC levels, a diminished grade and volume of lumber recoverable from MPB-killed logs, decreased quality of wood chips produced from such logs and increased production costs. The Chief Forester of British Columbia has begun reducing the AAC's of the MPB impacted TSAs and we expect this trend to continue in the foreseeable future. The containment or further spread of the MPB infestation will depend on a number of factors including the harvesting of timber in MPB infested areas and weather conditions.

The Mackenzie TSA has seen an outbreak of spruce beetle. We therefore expect to shift harvesting into timber stands that are under imminent threat or have a high susceptibility to beetle infestation. Together with the Ministry of Forests and other forest companies in the region, we are working to develop strategies to limit any damage caused by the spruce beetle.

A number of different tactics are being employed to mitigate the spread of the spruce beetle, and the impact on our operations appears to be manageable at this time. However, the timing and extent of the effect on our timber supply, lumber grade and recovery, wood chip quality and production costs by both the MPB and spruce beetle will depend on a variety of factors which cannot be determined at this time with any certainty.

Environment

Our operations are subject to regulation by federal, provincial, state, municipal and local environmental authorities, including industry specific environmental regulations, permits, guidelines and policies relating to air emissions and pollutants, wastewater discharges, solid waste, landfill operations, clean-up of unlawful discharges, dangerous goods and hazardous materials, forestry practices, land use planning, municipal zoning, employee health and safety, site remediation and the protection of endangered species and critical habitat. In addition, as a result of our operations, we may be subject to remediation, clean-up or other administrative orders or amendments to our operating permits, and we may be involved from time to time in administrative and judicial proceedings or inquiries. Future orders, proceedings or inquiries could have a material adverse effect on our business, financial condition and results of operations. Environmental laws and land use laws and regulations are constantly changing. New regulations or the increased enforcement of existing laws could have a material adverse effect on our business and financial condition. In addition, compliance with regulatory requirements is expensive, at times requiring the replacement, enhancement or modification of equipment, facilities or operations. There can be no assurance that we will be able to maintain our profitability by offsetting any increased costs of complying with future regulatory requirements.

We are subject to liability for environmental damage at the facilities that we own or operate, including damage to neighbouring landowners, residents or employees, particularly as a result of the contamination of soil, groundwater or surface water and especially drinking water. The costs of such liabilities can be substantial. Our potential liability may include damages resulting from conditions existing before we purchased or operated these facilities. We may also be subject to liability for any offsite environmental contamination caused by pollutants or hazardous substances that we or our predecessors arranged to transport, store, treat or dispose of at other locations. In addition, we may be held legally responsible for liabilities as a successor owner of businesses that we acquire or have acquired. The Mackenzie mill has been operating for decades, and we have not done invasive testing to determine whether or to what extent any such environmental contamination exists. As a result, there may be liabilities for conditions that we discover or that become apparent, including liabilities arising from non-compliance with environmental laws by prior owners. Because of the limited availability of insurance coverage for environmental liability, any substantial liability for environmental damage could materially adversely affect our results of operations and financial condition.

We have in place internal programs under which our forestry and manufacturing operations are audited for compliance with environmental laws and accepted standards and with our management systems. Our woodlands operations and the harvesting operations of our key suppliers are third party certified to internationally-recognized sustainable forest management standards. Our operations and our ability to sell products could be adversely affected if those operations did or do not, or were perceived by the public as failing to, comply with applicable laws and standards, including responsible environmental and sustainable forestry standards.

Enactment of new environmental laws or regulations or changes in existing laws or regulations might require significant capital expenditures. We may be unable to generate sufficient funds or to access other sources of capital to fund unforeseen environmental liabilities or expenditures.

Stumpage Fees

Substantially all of our log requirements at our Mackenzie mill are harvested from Crown lands in British Columbia. The Province of British Columbia charges stumpage fees to companies that harvest timber from Crown land. Stumpage fees for a specific harvesting area are based on a competitive MPS that has been established for the interior region of British Columbia. The stumpage system is complex and the subject of discussion involving, among other things, lumber trade agreements between Canada and the United States. The primary variable in the MPS is log pricing established through an open market auction for standing timber administered by BC Timber Sales. In addition to bid prices, there are a number of operational and administrative factors that will influence an individual stumpage rate for each cutting permit. Stumpage rates are also adjusted quarterly to reflect changes in lumber prices.

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

Aboriginal Claims

Canadian court decisions have recognized the existence of Aboriginal title and rights, which may include title or rights of use to lands historically used or occupied by Aboriginal groups. Aboriginal groups have claimed Aboriginal rights and/or title over a significant portion of British Columbia, and few treaties are in place between the Crown and Aboriginal groups in British Columbia. While certain Aboriginal groups in British Columbia have entered into treaty negotiations with the Crown, such negotiations involve complex issues that may take many years to resolve, if at all, and the results of such negotiations cannot be predicted.

Courts have held that the Crown has an obligation to consult with Aboriginal groups when the Crown has knowledge of either existing rights or the potential existence of Aboriginal title or rights and is contemplating actions that may potentially impact such title or rights. Failure of the Government of British Columbia to adequately discharge its obligations to Aboriginal groups may affect the validity of its actions in dealing with public rights, including the granting of Crown timber harvesting rights.

In 2014, the SCC released the Tsilhqot'in Decision in which for the first time the SCC recognized the existence of Aboriginal title over land in British Columbia. The SCC also found that provincial laws of general application may apply to land subject to Aboriginal title, provided that certain conditions are met, including that the laws are not unreasonable, impose no undue hardship and do not deny the holders of such Aboriginal title of certain rights. As a result, future court decisions may be required to determine whether and to what extent provincial laws, including the Forest Act and licences granted by the Provincial Crown thereunder, apply on lands subject to Aboriginal title. While Aboriginal title has not been established or formally recognized in areas overlapping with our forest tenures, there can be no assurance that Aboriginal title will not in the future be recognized over all or any portion of the area covered by our forest tenures. We cannot assure that Aboriginal claims will not in the future have a material adverse effect on our timber harvesting rights, our ability to exercise or renew them or our ability to secure other timber harvesting rights.

Additionally, the Canadian Federal government and the Province of British Columbia have made commitments to review their relationships with aboriginal groups, British Columbia has adopted UNDRIP and the Canadian Federal government has expressed its support for UNDRIP. At this time, we are unable to assess the effect, if any, that the adaption and implementation of UNDRIP may have on land claims and consultation requirements, but the impact may be material.

Labour Relations

Production disruptions resulting from walkouts or strikes by unionized employees could result in lost production and sales, which could have a material adverse impact on our business. We employ a unionized work force in our sawmilling and power generation operations in Canada. In 2019, our union employees at the Mackenzie mill ratified a new, five-year collective labour agreement with the USW. Subsequent to year end, in January 2020, our union employees at the Mackenzie power plant also ratified a new, five-year collective labour agreement with the

USW. Both agreement are retroactive to July 1, 2018 and expire on June 30, 2023. We believe our current labour relations are stable and do not anticipate any significant related disruptions to our operations in the foreseeable future.

We also depend on a variety of third parties that employ unionized workers to provide critical services. Labour disputes experienced by these third parties could lead to disruptions at our facilities.

Maintenance Obligations and Facility Disruptions

Our manufacturing processes are vulnerable to operational problems that could impair our ability to manufacture products. We could experience a breakdown in any of our machines or other important equipment, and from time to time, planned or unplanned maintenance outages that cannot be performed safely or efficiently during normal hours of operation. Such disruptions could cause a loss of production, which could potentially have a material adverse effect on our business, financial condition and operating results.

Periodic Litigation

We may from time to time become party to claims and litigation proceedings that arise in the ordinary course of business. Such matters are subject to many uncertainties, and we cannot predict with assurances the outcomes and ultimate financial impacts of them. There can be no guarantees that actions that may be brought against us in the future will be resolved in our favour or that the insurance we carry will be available or paid to cover any litigation exposure. Any losses from settlements or adverse judgments arising out of these claims could be materially adverse to us.

Tax Exposures

In the normal course of business, we take various tax filing positions without the assurance that tax authorities will accept and not challenge such positions. In addition, we are subject to further uncertainties concerning the interpretation and application of tax laws in various operating jurisdictions. We maintain reserves for known estimated tax exposures in all jurisdictions. These exposures are settled primarily through the closure of audits with the jurisdictional taxing authorities.

DIVIDENDS

We have not declared or paid any dividends on our common shares since incorporation and do not foresee the declaration or payment of any dividends on our common shares in the near future. Our Board will make any decision to pay dividends on our common shares on the basis of our earnings, financial requirements and other conditions existing at such future time and which our Board considers appropriate in the circumstances.

We are subject to certain restrictions on the declaration and payment of dividends set out in the CBCA. In particular, the CBCA provides that a company will not declare or pay a dividend in property, including in money, if there are reasonable grounds for believing that the company is insolvent or the payment of the dividend would render the company insolvent.

DESCRIPTION OF CAPITAL STRUCTURE

We are authorized to issue an unlimited number of common shares without par value and an unlimited number of Class B preferred shares (the "**Preferred Shares**"), of which 46,948,757 common shares and no Preferred Shares are issued and outstanding as of the date of this Annual Information Form.

Common Shares

The common shares entitle their holders to: (a) receive notice of and attend any meetings of our shareholders and are entitled to one vote for each common share held, except at meetings at which only holders of a specified class are entitled to vote; (b) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the rights of the holders of Preferred Shares, any dividend declared by us; and (c) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the holders of Preferred Shares, our remaining property and assets upon dissolution. Subject to the provisions of the CBCA, we may, by special resolution, fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of our common shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends, the method of calculating dividends,

the dates of payment of dividends, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

Preferred Shares

The Preferred Shares may, at any time and from time to time, be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of our Board. Holders of Preferred Shares shall not be entitled to receive notice of and attend any meetings of our shareholders or to vote at any such meetings, except meetings at which only holders of Preferred Shares are entitled to vote. Holders of Preferred Shares are entitled to: (a) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, any dividend declared by us; and (b) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, our remaining property and assets upon dissolution. Subject to the provisions of the CBCA, we may, by special resolution, fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of the Preferred Shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends, the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

BY-LAW AMENDMENTS

Our Board has adopted an advance notice policy regarding the nomination of directors (the "**Advance Notice Policy**"). The purpose of the Advance Notice Policy is to provide our shareholders, directors and management with direction on the procedure for shareholder nomination of directors. The Advance Notice Policy is the framework by which seeks to fix a deadline by which registered or beneficial holders of common shares must submit director nominations to us prior to any annual or special meeting of shareholders, and sets forth the information that a shareholder must include in the notice to us for the notice to be in proper written form. No person nominated by shareholders will be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Policy.

MARKET FOR SECURITIES

Trading Price and Volume

Our common shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol "CFF". The following table provides the monthly high and low sales price and trading volume of our common shares on the TSX for our fiscal year ended December 31, 2019:

	Trading Summary		
	High (\$)	Low (\$)	Volume Traded (#)
2019			
January	2.28	1.71	2,348,318
February	2.18	1.61	1,124,920
March	1.89	1.51	579,234
April	1.70	1.35	1,027,603
May	1.41	1.11	1,654,331
June	1.44	0.91	816,039
July	1.10	0.79	797,652
August	0.88	0.56	1,025,668
September	0.75	0.61	380,008
October	0.69	0.20	1,616,453
November	0.65	0.25	854,810
December	0.95	0.25	1,750,812

Prior Sales

The following table summarizes the issuances of our securities, other than our common shares, in the 2019 fiscal year:

Date	Price per Security ⁽¹⁾	Number of Securities	Type of Security
July 25, 2019	\$ 0.81	775,000	RSU ⁽²⁾

Notes:

- (1) Represents the deemed price at which the securities were issued.
- (2) "RSU" means restricted share unit awards issued under our amended and restated long-term incentive plan dated June 25, 2018.

DIRECTORS AND EXECUTIVE OFFICERS

Our Board consists of eight directors. The term of office for each of our directors will expire at the time of our next annual general meeting of shareholders to be held in 2020. The following table sets forth, as at the date hereof, the name, province or state and country of residence and position(s) held for each of our directors and executive officers, as well as the date of election of each of our directors:

Name and Province or State and Country of Residence	Current Position(s)	Director Since
Kenneth A. Shields ⁽¹⁾ British Columbia, Canada	Chairman, Chief Executive Officer, President and Director	June 3, 2010
David E. Roberts ⁽²⁾⁽³⁾ Ontario, Canada	Director	May 27, 2010
Jim Jia British Columbia, Canada	Director	June 3, 2010
Michael Costello British Columbia, Canada	Director	April 18, 2012
Tom Reed ⁽¹⁾⁽³⁾ Georgia, United States of America	Director	February 22, 2016
Janine North ⁽¹⁾⁽²⁾⁽³⁾ British Columbia, Canada	Director	February 14, 2017
Charles P. Miller ⁽²⁾ Texas, United States of America	Director	July 9, 2018

Name and Province or State and Country of Residence	Current Position(s)	Director Since
George R. Judd ⁽³⁾ Georgia, United States of America	Director	July 9, 2018
Yuri Lewis ⁴ British Columbia, Canada	Chief Financial Officer and Corporate Secretary	N/A
Jordan Neeser ⁴ British Columbia, Canada	Vice President, Finance	N/A

Notes:

- (1) A member of the Environmental, Health and Safety Committee, which is comprised of Tom Reed (Chair), Kenneth Shields and Janine North.
- (2) A member of the Audit Committee, which is comprised of Janine North (Chair), David Roberts and Charles P. Miller.
- (3) A member of the Corporate Governance and Human Resources Committee, which is comprised of David Roberts (Chair), Tom Reed, Janine North and George R. Judd.
- (4) Mrs. Lewis is retiring from Conifex effective March 31, 2020. Mr. Neeser will succeed Mrs. Lewis as Chief Financial Officer and Corporate Secretary effective April 1, 2020.

Our directors and executive officers, as a group, currently beneficially own, directly or indirectly, or exercise control or direction over 1,996,623 (approximately 4.3%) of our outstanding common shares.

Set out below are profiles of our directors and executive officers, including particulars of their principal occupations for the past five years:

Kenneth A. Shields, age 71, Chairman, Chief Executive Officer, President and Director. Mr. Shields currently serves as a director of 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 Forest Products Association of Canada, 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 Timber Inc.

David E. Roberts, age 78, 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 our Company to date.

Jim Jia, age 52, Director. Mr. Jia is the general manager of Tangshan Caofeidian Wood Industry Co. Ltd., a major 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 69, 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 BC 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 as a director on each of the Vancouver Island Health Authority, the Ontario Power Authority and InTransit BC.

Tom Reed, age 71, Director. Mr. Reed was Vice President of Southern Resources in Plum Creek Timber Inc.'s Atlantic South region and oversaw sustainable forest management in Alabama, Florida, Georgia, South Carolina, Virginia, and North Carolina. Prior to joining Plum Creek Timber in 2001, Mr. Reed served as Vice President of Forest Resources at Champion International Corporation. Mr. Reed served as Chairman of the Forest Resources Association Inc. from 2014 to 2016 and remains on its board, and is also on the boards of the Florida Forestry Association and the Georgia Forestry Association.

Janine North, age 59, Director. Ms. North currently serves as a director for Imperial Metals Corp. and Maple Gold Mines Ltd. Ms. North is a former director of BC Hydro (2010-2018), viaSport, Canadian Sport Institute Pacific, BC Business Council, Association for Mineral Exploration of BC, Agricultural Institute of Canada, Junior Achievement BC, Nechako Kitimat Development Fund and the Central Interior Logging Association. Ms. North retired in 2016 after serving 11 years as the founding Chief Executive Officer of the Northern Development Initiative Trust.

Charles P. Miller, age 58, Director. Mr. Miller served as a partner of Blue Wolf Capital Partners LLC ("Blue Wolf") since 2010, and serves on the boards of Blue Wolf portfolio companies Pharmaceutical Strategies Group LLC, Novo Building Products, The Mulch and Soil Company LLC and Petrosmith, LLC. Prior to joining Blue Wolf, Mr. Miller was a partner at Patton Boggs LLP, where he served as firm-wide Deputy Managing Partner and Managing Partner of the firm's Dallas, Texas office. Mr. Miller has also served as a director of numerous for profit and non-profit organizations.

George R. Judd, age 59, Director. Mr. Judd serves as a strategic advisor to Blue Wolf in the areas of building products and industrial distribution. Mr. Judd's previous roles include Chief Executive Officer of PrimeSource Building Products, Inc. (for which he continues to serve on the board), Chief Executive Officer of Snappy HVAC Inc. and President and Chief Executive Officer of BlueLinx Holdings Inc. Mr. Judd also served as an executive officer of Georgia-Pacific LLC. Mr. Judd serves on the advisory board of DOCU-SIGN and as an advisor to Ajusco LLC.

Yuri Lewis, age 60, Chief Financial Officer and Corporate Secretary. Mrs. Lewis has over 38 years of experience in the forest products sector, primarily with wholesale and distribution companies, and most recently with Welco Lumber Corp., a private corporation. Mrs. Lewis is a Chartered Professional Accountant (CPA), earned her Certified General Accountants (CGA) designation in 1987 and completed her MBA in 2002.

Jordan Neeser, age 37, Vice President, Finance. Mr. Neeser has over 15 years of experience in a number of corporate finance and financial reporting and analysis roles. Mr. Neeser's previous roles included overseeing capital markets investments with a large conglomerate, acting as group controller in the mining industry and audit and assurance services with KPMG LLP. Mr. Neeser is a Chartered Professional Accountant. Mr. Neeser earned his Bachelor of Commerce in 2004 and his Chartered Accountant designation in 2006.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of our knowledge, no director or executive officer is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director, Chief Executive Officer ("CEO") or Chief Financial Officer ("CFO") of any company (including our Company) that:

- was the subject, while the director or executive officer was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of such company.

To the best of our knowledge, no director, executive officer or a shareholder holding a sufficient number of our securities to affect materially the control of our Company:

- is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including our Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

- has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Our directors and officers may be subject to potential conflicts of interest in connection with our operations. In particular, certain of our directors and officers are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct or indirect competition with our operations or with entities which may, from time to time, provide financing to, or make equity investments in, our competitors. See the section of this Annual Information Form titled "*Directors and Executive Officers*". In accordance with the CBCA, any director who has a material interest or any person who is a party to a material contract or a proposed material contract with us is required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, our directors are required to act honestly and in good faith with a view to the best interests of our Company. Certain of our directors and officers have either other employment or other business or time restrictions placed on them, and, accordingly, these directors and officers will only be able to devote part of their time to our affairs.

AUDIT COMMITTEE DISCLOSURE

Our Board appoints the Audit Committee to assist in monitoring: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; and (iii) the qualifications, appointment, independence and performance of our external auditors and senior financial executives. The Audit Committee's authority and responsibilities include meeting with our auditor and reviewing our annual financial statements and making recommendations for the approval of such financial statements to the Board. Material issues related to the audit of our internal accounting controls and information systems are discussed with the Audit Committee as such issues arise. The Audit Committee has direct access to our auditors.

Audit Committee Charter

The Terms of Reference for the Audit Committee contained in our Corporate Governance Guidelines set out the responsibilities and duties, qualifications for membership, procedures for committee member appointment and requirement of reporting to the Board. A copy of the Terms of Reference for the Audit Committee is attached hereto as Schedule "A".

Composition of the Audit Committee

Janine North is the chair of the Audit Committee. The other members of the Audit Committee are David E. Roberts and Charles P. Miller. Each member of the Audit Committee is "financially literate" within the meaning of National Instrument 52-110 — *Audit Committees* ("**NI 52-110**"). All members of the Audit Committee are "independent" members of the audit committee as that term is used in NI 52-110.

Relevant Experience

Set out below is a description of the education and experience of each member of the Audit Committee relevant to the performance of his or her responsibilities as a member of the Audit Committee:

David E. Roberts. Mr. Roberts is retired from Raymond James Ltd. where he headed its institutional equity business based in Toronto, Ontario. Mr. Roberts has also participated in a number of courses related to risk management and governance topics with particular emphasis on audit committees.

Janine North. Ms. North currently serves as a director for Imperial Metals Corp. and Maple Gold Mines Ltd. Ms. North is a former director of BC Hydro (2010-2018), viaSport, Canadian Sport Institute Pacific, BC Business Council, Association for Mineral Exploration of BC, Agricultural Institute of Canada, Junior Achievement BC,

Nechako Kitimat Development Fund and the Central Interior Logging Association. Ms. North retired in 2016 after serving 11 years as the founding Chief Executive Officer of the Northern Development Initiative Trust.

Charles P. Miller. Mr. Miller served as a partner of Blue Wolf since 2010, and serves on the boards of various Blue Wolf portfolio companies. Prior to joining Blue Wolf, Mr. Miller was a partner at Patton Boggs LLP, where he served as firm-wide Deputy Managing Partner and Managing Partner of the firm's Dallas, Texas office. Mr. Miller has also served as a director of numerous for profit and non-profit organizations.

Pre-Approval Policies and Procedures

The Terms of Reference for the Audit Committee include responsibilities regarding the provision of non-audit services by our external auditors. The Terms of Reference for the Audit Committee state that the Audit Committee shall: (i) pre-approve the retention of the independent auditor for all audit and non-audit services, including tax services, and the fees for such non-audit services which are provided to us and our subsidiaries; (ii) consider whether the provision of non-audit services is compatible with maintaining the auditor's independence; and (iii) if so determined by the Audit Committee, recommend that our Board take appropriate action to satisfy itself of the independence of the auditor.

Audit Committee Oversight

At no time since the commencement of our most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Audit, Tax and Other Fees

Fees paid or accrued to our external auditor for audit and other services for the years ended December 31, 2019 and December 31, 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Audit fees ⁽¹⁾	\$ 494,434	\$ 274,492
Audit-related fees ⁽²⁾	56,700	55,125
Tax fees ⁽³⁾	201,615	208,161
Other fees	71,893 ⁽⁴⁾	182,468 ⁽⁵⁾
	<u>\$ 824,642</u>	<u>\$ 553,750</u>

Notes:

- (1) Audit fees include the audit of our annual financial statements.
- (2) Audit-related services include assurance and related services reasonably related to the performance of the audit or review of our financial statements.
- (3) Tax services include tax compliance services and planning and related services.
- (4) Other fees consist of fees for services related to the documentation and filing of internal controls over financial reporting.
- (5) Other fees for the period consist of fees for services related to our offering of Subscription Receipts and the documentation and filing of internal controls over financial reporting.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are subject to routine litigation incidental to our business. We were not party to, and our property was not the subject of, any material legal or regulatory proceedings within the preceding financial year, or which we know to be reasonably contemplated. See "*Description of Our Business – Softwood Lumber Dispute*" for a description of developments related to the softwood lumber dispute.

REGISTRAR AND TRANSFER AGENT

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, executive officers, any shareholder who, to the best of our knowledge, beneficially owns, directly or indirectly, more than 10% of our outstanding common shares or

any known associate or affiliate of any such persons, in any transaction since incorporation or in any proposed transaction which has materially affected or will materially affect our Company.

In March 2017, one of our existing shareholders, Polar Asset Management Partners Inc., which controlled or directed in excess of 10% of our common shares, subscribed for 1.6 million common shares pursuant to the a private placement. For additional information regarding the private placement, see "*Description of Our Business – Recent Developments – Offering and Private Placement*".

MATERIAL CONTRACTS

Except as otherwise described in this Annual Information Form, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to our Company and that were entered into in the most recently completed financial year, or before the most recently completed financial year, but are still in effect and have not been previously filed.

The following material contracts were entered into by us during the most recently completed financial year and up to the date of this Annual Information Form or before the most recently completed financial year but are still in effect:

1. EPA dated June 10, 2011, as amended, between BC Hydro and us. For additional information, see "*Description of Our Business – Bioenergy Segment*";
2. LDA dated June 10, 2011 between BC Hydro and us. For additional information, see "*Description of Our Business – Bioenergy Segment*"; and
3. Credit Agreement dated October 30, 2018 between Fiera Infrastructure Private Debt Fund LP [et al.] and us. For additional information, see "*Description of Our Business – Three Year History – Financings - \$70 Million Secured Term Loan*".

INTERESTS OF EXPERTS

Our auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, and they have advised us that they are independent of our Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information regarding us, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our information circular dated May 17, 2019 in respect of our annual and special meeting of shareholders held on June 24, 2019, which is available on SEDAR at www.sedar.com. Additional financial information is provided in our consolidated financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2019, which is available on SEDAR at www.sedar.com.

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

SCHEDULE "A"

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

OF

CONIFEX TIMBER INC.

1. PURPOSE

The Audit Committee is appointed by the Board to assist the Board in monitoring: (1) the integrity of the financial statements of the Company; (2) the compliance by the Company with legal and regulatory requirements; and (3) the qualifications, appointment, independence and performance of the Company's external auditors and senior finance executives.

The Audit Committee shall consist of at least 3 directors as determined by the Board. The members of the Audit Committee shall meet the independence and experience requirements of any exchange or quotation system upon which the Company's securities are listed or quoted and in accordance with applicable securities laws. In particular, every member of the Audit Committee must be financially literate within the meaning of, and in accordance with, applicable securities laws. The members of the Audit Committee shall be appointed by the Board.

The Audit Committee may request any officer or employee of the Company and its subsidiaries or the Company's outside counsel or independent auditor to attend meetings of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Company shall provide funding to compensate: (i) any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and (ii) any independent legal, accounting or other consultants employed by the Audit Committee. The Company shall also provide funding for the Audit Committee's ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall have the following authority and responsibilities:

1. To review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Overseeing the work of the external auditor engaged for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services.
3. To review, prior to public disclosure thereof, the annual audited financial statements and management's discussion and analysis with management and the Company's independent auditor, including: (i) matters required to be reviewed under applicable legal and regulatory requirements; (ii) major issues regarding accounting and auditing principles and practices; and (iii) the adequacy of internal controls that could significantly affect the Company's financial statements.
4. Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.
5. To review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial

statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements.

6. To review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities on the Company's financial statements.
7. To review and discuss with management and the independent auditor, as appropriate, the Company's quarterly financial statements, including the results of the independent auditors' review of the quarterly financial statements and earnings press releases, and approve all quarterly financial statements, earnings press releases and financial information provided to rating agencies before public disclosure thereof.
8. To review the disclosure required for the Company's management information circular or other document prescribed by applicable securities laws.
9. To meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
10. To discuss with management and the independent auditor, as appropriate, earnings press releases and approve, as required, all quarterly earnings press releases and financial information provided to rating agencies before public disclosure thereof.
11. To review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal accounting or financial personnel or management.
12. Recommend to the Board the nomination and appointment of the independent auditor for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company. Each independent auditor or registered public accounting firm engaged for the Company or the Audit Committee shall report directly to the Audit Committee.
13. The sole authority to approve all audit engagement terms and fees to be paid to the independent auditor for audit services.
14. The authority to engage independent counsel and other advisors as it deems necessary to carry out the duties and responsibilities of the Audit Committee.
15. To review the experience and qualifications of the senior members of the independent auditor team, the quality control procedures of the independent auditor and the rotation of the lead partner and reviewing partner of the independent auditor.
16. To review and discuss with the external auditors the scope of the annual audit and the results of the annual audit examination by the external auditors.
17. To pre-approve the retention of the independent auditor for all audit and non-audit services to be provided to the Company or its subsidiaries by any independent public accountants, including tax services, and the fees for such non-audit services.
18. To receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

19. To evaluate the performance of the independent auditor and whether it is appropriate to adopt a policy of rotating independent auditors on a regular basis. If so determined by the Audit Committee, recommend that the Board replace the independent auditor.
 20. To review and pre-approve the hiring policies of the Company regarding partners, employees and former partners and employees of the auditors and who were engaged on the Company's account.
 21. To review the appointment and replacement of the senior accounting and financial executives.
 22. To review the significant reports to management prepared by the internal accounting and financial personnel and management's responses.
 23. To obtain reports/confirmation from management, the Company's senior accounting and financial personnel and the independent auditor that the Company's subsidiaries are in conformity with applicable legal requirements and the Company's Code of Conduct, including disclosures of insider and affiliated party transactions.
 24. To review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
 25. To review with the independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the independent auditor and management of the Company and any management letter provided by the auditor and the Company's response to that letter. Such review should include:
 - (a) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;
 - (b) the internal accounting and financial responsibilities; and
 - (c) the investigation and implementation of the resolution of any disagreement between the independent auditor and the management of the Company.
- The Audit Committee shall be directly responsible for the resolution of disagreements between management and the external auditor regarding financial reports.
26. To advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Conduct.
 27. To meet at least quarterly with the Chief Financial Officer and the independent auditor in separate executive sessions.
 28. To review with management material matters relating to tax and insurance.
 29. To review and consider transactions with related parties and/or affiliated transactions.
 30. To review and approve or ratify, on at least an annual basis, summary expense reports and reimbursements of the Chief Executive Officer and Chief Financial Officer.
 31. To establish procedures for: (i) the receipt, retention, processing, treatment and resolution of complaints regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding auditing or accounting matters.

32. To review and investigate any matters pertaining to the integrity of management, including conflicts of interest or adherence to standards of business conduct as required in the policies of the Company.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor (other than as set out herein) or to assure compliance with laws and regulations and the Company's Code of Conduct.

2. ACCOUNTABILITY

1. The minutes of all meetings of the Audit Committee will be made available for review by any member of the Board on request to the Audit Chair of the Audit Committee.

INDICATIVE SCHEDULE FOR AUDIT COMMITTEE MATTERS

<i>Agenda Items</i>	J	F	M	A	M	J	J	A	S	O	N	D
Review of Financials												
(i) Review and reassess the adequacy of the Audit Committee Charter		•				•						
(ii) Review the annual audited financial statements with management and the auditor		•										
(iii) Review analysis prepared by management and the auditor of significant financial reporting issues and judgments		•			•			•			•	
(iv) Review with management and the auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities		•			•			•			•	
(v) Review with management and the auditor the Company's quarterly financials		•			•			•			•	
(vi) Prepare the report required for the Company's management information circular or other document prescribed by applicable securities laws					•							
Review of Personnel												
(i) Review qualifications of the senior members of the auditor team, quality control procedures and the rotation of partners								•				
(ii) Review and discuss with the auditors the scope of the annual audit and results		•						•				
(iii) Pre-approve the retention of the auditor for all audit and permitted non-audit services								•				

<i>Agenda Items</i>	J	F	M	A	M	J	J	A	S	O	N	D
(iv) Review and pre-approve any hiring by the Company of employees of the auditor (as needed)		•			•			•			•	
(v) Review the appointment and replacement of the senior accounting and financial executives (as needed)											•	
General Duties												
(i) Review the significant reports to management prepared by the internal accounting and financial personnel		•			•			•			•	
(ii) Obtain confirmation from management and the auditor re: compliance with legal requirements and the Code of Conduct		•			•			•			•	
(iii) Review with management and the auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints which raise material issues regarding the Company's financials and accounting policies		•			•			•			•	
(iv) Review with the auditor any problems and difficulties the auditor may have encountered and any disagreements with management		•			•			•			•	
(v) Review and approve summary expense reports and reimbursement of the Chair, Chief Executive Officer and Chief Financial Officer		•										
(vi) Review and investigate any matters pertaining to the integrity of management (as needed)		•			•			•			•	
(vii) Review with management material matters relating to tax and insurance		•			•			•			•	
(viii) Review and consider transactions with related parties as scheduled and otherwise as required		•										
(ix) Review Whistleblower Policy and all reports thereon as scheduled and otherwise as required		•										
(x) Meet with management and review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures		•						•				