CONIFEX TIMBER INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2014

March 18, 2015

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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", the "Company" or "Conifex" in this document is to the consolidated operations of Conifex Timber Inc. and its subsidiaries. Our reporting currency is the Canadian dollar. Some figures and percentages may not total exactly due to rounding. Unless otherwise indicated, the information in this Annual Information Form is given as of December 31, 2014.

We have obtained certain information contained in this Annual Information Form concerning the industry 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. The use of any of the words "aim", "anticipate", "contemplate", "continue", "estimate", "expect", "may", "might", "will", "could", "project", "should", "believe", "design", "potential", "target", "intend", "outlook", "position" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in these forward-looking statements are based on reasonable assumptions. However, no assurance can be given that these expectations will prove to be correct, and the forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form may contain forward-looking statements pertaining to the following: growth and future prospects of our business; results of operations and performance; our perception of the industry or markets in which we operate and anticipated trends in such markets and in the countries in which we do business; timing of completion, if at all, and the costs, benefits and scope of the Mackenzie Power Project (as defined herein); the sufficiency of funding for the Mackenzie Power Project as presently contemplated; our ability to supply our manufacturing operations with wood fibre and the cost of wood fibre; continued positive relations with Aboriginal groups; realization of the expected benefits of our completed and contemplated capital projects; 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, including capital expenditures related to the Mackenzie Power Project.

Forward-looking statements reflect our current views with respect to expectations, beliefs, assumptions, estimates and forecasts about our business and the industry and markets in which we operate. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Assumptions underlying our expectations regarding forward-looking statements contained in this Annual Information Form include, among others: 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 our estimated capital expenditures; our ability to obtain financing on acceptable terms, or at all; that interest and foreign exchange rates will not vary materially from current levels; and the general stability of the economic environments within the countries where we conduct operations. The foregoing list of assumptions is not exhaustive.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the following risk factors and those set forth elsewhere in this Annual Information Form:

- fluctuations in prices and demand;
- currency risk;
- fibre availability and cost;

- competition;
- risks related to the Mackenzie Power Project;
- capital projects;
- combustible dust;
- transportation limitations;
- operational curtailments;
- regulatory risks;
- reliance on directors, management and key personnel;
- liquidity risk;
- information systems security threats;
- natural disasters;
- MPB (as defined herein) infestation;
- environment;
- the term of the SLA (as defined herein) and potential surge tax;
- stumpage fees;
- Aboriginal claims;
- labour relations;
- periodic litigation; and
- tax exposures.

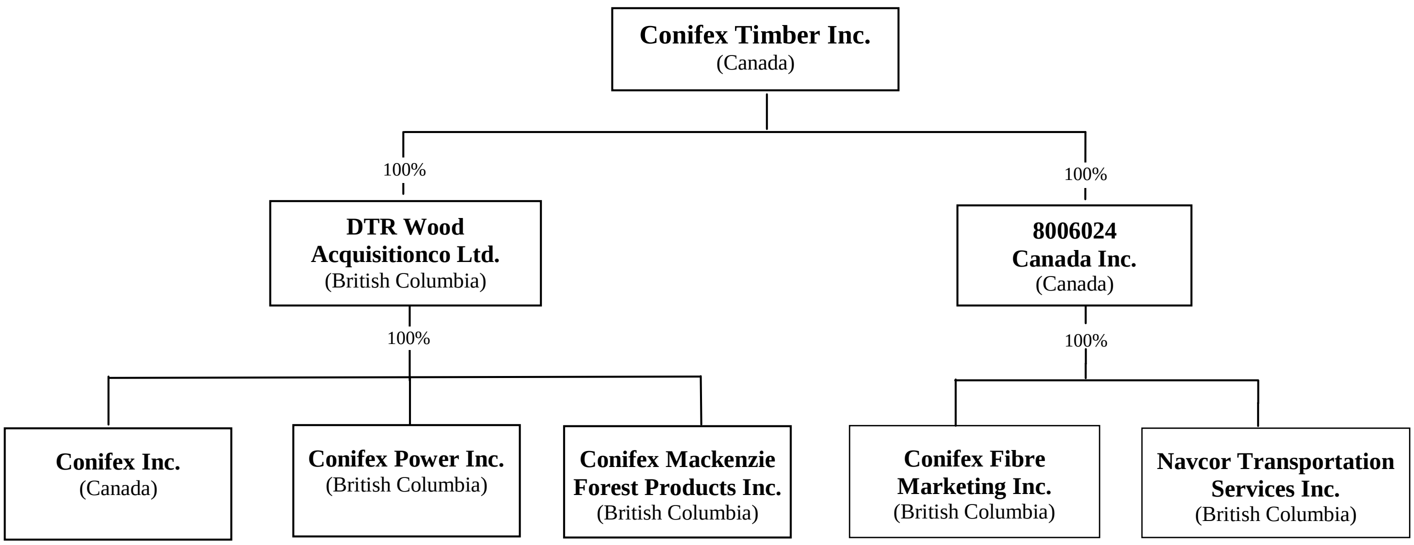
The risk factors referenced herein should not be construed as exhaustive. Except as required under applicable laws, we undertake no obligation to update or revise any forward-looking statements.

CORPORATE STRUCTURE

General

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

The chart below sets out our material corporate subsidiaries and their respective jurisdictions of organization.



In addition, our material subsidiaries include two partnerships: (i) Lignum Forest Products LLP ("**Lignum**"), a British Columbia limited liability partnership owned 99% by Conifex Timber Inc. and 1% by 8006024 Canada Inc.; and (ii) Conifex Power Limited Partnership ("**CP Partnership**"), a British Columbia limited partnership owned approximately 26.6% by Conifex Power Inc., its general partner, 20.8% by Conifex Mackenzie Forest Products Inc. and 52.5% by Conifex Timber Inc.

DESCRIPTION OF OUR BUSINESS

Business Overview

We are an independent British Columbia forestry company with two principal business segments. Our lumber segment operates two sawmills in the interior region of British Columbia and is involved in timber harvesting, reforestation, forest management, and the manufacture, sale and distribution of dimension lumber. We have also established a bioenergy segment which is developing a 36 megawatt ("**MW**") power project at our Mackenzie facility to produce renewable energy for commercial sale (the "**Mackenzie Power Project**"), and we may in the future pursue additional investment opportunities in bioenergy and bio-products that we believe will complement our lumber segment operations.

Corporate Strategy

Our long-term objective is to build Canada's premier, next-generation forestry company that is a world leader in responsibly maximizing fibre value. To achieve this objective, we intend to develop new revenue streams around our core lumber business. Our potential to emerge as a significant participant in the bio-economy is underpinned by the strong fundamentals of our softwood harvesting and manufacturing business and by our belief that new and profitable uses will develop for in-forest woody biomass that is not currently being accessed.

Our near-term business strategy seeks to capitalize on our existing sawmilling and forestry assets, located in relatively abundant fibre supply regions, to build a margin-focused lumber business of sufficient size and scale to compete successfully with the best mills in North America. We also intend to focus on the completion and operation of our Mackenzie Power Project, which builds on the low-cost legacy infrastructure at our Mackenzie site. To this end, our strategy involves:

- maintaining and further expanding access to plentiful supplies of quality sawlogs at competitive prices;
- operating efficient lumber converting facilities;
- investing in high return capital projects to expand production volumes and lower cash conversion costs;
- producing and selling high-value softwood lumber in demand by North American and offshore markets;
- developing 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 opportunities to develop new revenue streams around our core lumber business.

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

General Development

The following summarizes the development of our business and, in particular, over the past three fiscal years.

Acquisition and Start-Up of the Fort St. James Mill and Mackenzie Mills

In August 2008, we purchased a sawmill (the "**Fort St. James Mill**") and certain other forestry and sawmilling assets, including a forest licence with an allowable annual cut ("**AAC**") of 640,000 cubic metres (the "**FSJ FL**"), located in and around Fort St. James, British Columbia, and we commenced manufacturing operations at the Fort St. James Mill on a one-shift basis in March 2009. The Fort St. James Mill has approximately 310 million board feet of annual lumber capacity on a two-shift basis.

In June 2010, we acquired certain forestry and sawmilling assets located in and around Mackenzie, British Columbia comprised of: (i) two 2-line sawmills (the "**Mackenzie Mills**"), including planer mills; (ii) a forest licence with an AAC of 932,500 cubic metres (the "**Mackenzie FL**"); (iii) a steam/power plant and associated turbine and boiler; and (iv) a paper mill (excluding the headbox). In November 2010, we commenced lumber production on a one-shift basis at the Site II sawmill at Mackenzie (the "**Site II Mackenzie Mill**"), and we started a second shift in March 2011. The Site II Mackenzie Mill has approximately 215 million board feet of annual lumber capacity on a two-shift basis. The currently idled Site I sawmill complex, as presently constituted, has production potential of approximately 220 million board feet per year.

Mackenzie Power Project

In March 2011, we initiated the Mackenzie Power Project to construct a 36 MW biomass power plant adjacent to our currently idled Site I sawmill complex and within an existing building with supporting infrastructure. We expect that the Mackenzie Power Project, once completed, will provide a stable and diversified source of revenue in the bioenergy segment, as well as an assured market for a portion of the sawmill residuals produced by the Mackenzie Mills in the process of manufacturing lumber. For further details on the Mackenzie Power Project, see the section of this Annual Information Form titled "*Description of Our Business – Bioenergy Segment*".

Acquisition of Lignum

In February 2014, we acquired Lignum, a private partnership which operates a lumber marketing and distribution business. Lignum is an established name in the forestry and lumber distribution business in British Columbia, and it serves customers and distributes products complementary to ours and other British Columbia lumber producers. The acquisition of Lignum expanded our market reach in North America through a network of established inventory locations.

Labour Agreement with United Steel Workers

The United Steel Workers Union (the "**USW**") represents our unionized employees at our Fort St. James and Mackenzie operations. In March 2014, we settled a new five-year collective agreement with the USW at the Fort St. James Mill, and, in April 2014, a new collective agreement was ratified for our Mackenzie operations. The agreements have a retroactive effect to July 1, 2013 and expire on June 30, 2018.

Graduation to TSX

On May 13, 2014, we announced that we had received final approval from the Toronto Stock Exchange (the "**TSX**") for the listing of our common shares on the TSX. On May 20, 2014, our common shares began trading on the TSX under the stock symbol "CFF" and were voluntarily delisted from the TSX Venture Exchange (the "**TSX-V**").

Financings

We completed the following significant financings during the last three fiscal years.

$25 million senior secured revolving asset backed credit facility

In April 2013, we completed a $25 million senior secured revolving asset backed credit facility with a leading Canadian chartered bank. This credit facility is available for a term of 3 years, and we intend to use it for working capital in our lumber segment, as well as for other permitted general corporate purposes. In December 2014, we completed a $10 million seasonal expansion of this facility until May 31, 2015.

$30 million senior secured financing

In September 2013, we issued an aggregate of $30 million principal amount of senior secured promissory notes to Vertex One Asset Management Inc. The promissory notes mature on September 18, 2017 and bear interest at a rate of 8% per annum. As additional consideration for this loan, we issued transferrable common share purchase warrants entitling the holders to purchase an aggregate of up to 1,060,000 of our common shares at a price of $8.25 per share until September 18, 2017.

$102.7 million Mackenzie Power Project financing

In November 2013, CP Partnership completed a $102.7 million secured project financing facility (the "**Project Financing**") for the Mackenzie Power Project with a syndicate of four institutional lenders led by a leading Canadian chartered bank. The Project Financing provides an aggregate of up to $102.7 million and includes a development and construction loan for the Mackenzie Power Project of up to $82 million. The construction loan will mature and convert into an amortized term loan having a term of 5 years once the conditions to conversion are satisfied, including substantial completion of construction of the Mackenzie Power Project. The balance of the Project Financing consists of a letter of credit facility primarily to secure certain obligations of CP Partnership under its existing LDA (as defined below) and a $1.75 million revolving operating facility.

The construction loan consists of a floating rate tranche and a fixed rate tranche. Interest rates on the floating rate tranche borrowings are based on either banker's acceptances or the Canadian chartered bank prime rate, at CP Partnership's option, plus an applicable margin. The fixed rate tranche bears interest at a rate largely consistent with the floating rate tranche. Concurrent with the Project Financing, CP Partnership entered into interest rate swap transactions with the lead arranger to swap the interest rates on the floating rate tranche of the construction loan and the subsequent term loan to fixed interest rates. The Project Financing is primarily secured by a first priority security interest on our existing and after acquired bioenergy assets. In December 2014, the Project Financing documents were amended to align certain maturity and debt repayment dates with the revised schedule for the Mackenzie Power Project.

$12 million convertible note financing

In December 2014, we completed a $12 million convertible note financing pursuant to which we issued $12 million aggregate principal amount of unsecured subordinated convertible notes (the "**Convertible Notes**"). The Convertible Notes bear interest at 7% per annum from the date of issue and are convertible at the option of the holder into common shares at any time prior to their maturity on December 15, 2016 at a conversion price of $6.22 per share.

Forest Resources

Timber is a renewable resource, and, if managed properly and with appropriate silviculture investments, it has the potential to yield a fairly 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 94% of all lands in the Province of British Columbia. Under the *Forest Act* (British Columbia) (the "**Forest Act**") and the *Forest and Range Practices Act* (British Columbia) (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 development plans and cutting permits, determining the stumpage system and managing compliance and enforcement.

We hold two long-term Crown timber tenures through our FSJ FL and Mackenzie FL. 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 replacement 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 timber supply area ("**TSA**"), there are no exclusive operating areas for the benefit of any licencee, including us.

The FSJ FL, contained within the TSA in and around Prince George, British Columbia (the "**Prince George TSA**"), has an AAC of 640,000 cubic metres, and the Mackenzie FL, contained within the TSA in and around Mackenzie, British Columbia (the "**Mackenzie TSA**"), has an AAC of 932,500 cubic metres. Our current operating areas within these forest licences contain an estimated 156 million cubic metres of merchantable timber readily accessible through a network of nearly 10,000 kilometres of access roads maintained and/or monitored by our staff and contractors.

Timber Supply Areas

Our forestry and logging operations straddle the Mackenzie TSA and the adjoining Prince George TSA. The combined productive Crown forest area encompassed by these two TSAs forms the largest in British Columbia, at approximately 12 million hectares and with a combined AAC of 17,000,000 cubic metres.

The Mackenzie TSA, located wholly within the Mackenzie forest district, has an AAC of 4,500,000 cubic metres and a timber harvesting landbase estimated at approximately 14,500 square kilometres (approximately 7% of the Provincial total). The Mackenzie TSA contains an estimated 287.5 million cubic metres of current mature and merchantable coniferous timber, including 108 million cubic metres within our current operating areas. Our operating areas within the Mackenzie TSA have a timber profile comprised of approximately 33% spruce, 49% lodgepole pine, 9% balsam fir and 9% other.

The Prince George TSA has an AAC of 12,500,000 cubic metres and is comprised of three forest districts: Prince George, Vanderhoof and Fort St. James. The Prince George TSA has a timber harvesting landbase estimated at 31,000 square kilometres (approximately 14% of the Provincial total) and contains an estimated 667.5 million cubic metres of current mature and merchantable coniferous timber, including 48 million cubic metres within our current operating area. Our operating areas within the Prince George TSA, located wholly within the Fort St. James Forest District, have a timber profile comprised of approximately 36% spruce, 49% lodgepole pine, 14% balsam fir and 1% Douglas fir.

Fibre Supply and Requirements

Our operations depend 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 our fibre costs, including harvesting locations and delivery distances from forest to mill, weather conditions, normal competitive market pressures relating to harvesting and hauling contractors and regional log market influences. Our forestry department is responsible for ensuring an adequate supply of suitable logs for our sawmills at competitive costs.

Our own tenures can supply approximately two-thirds of our required sawlog furnish at the Fort St. James Mill and 100% of our required sawlog furnish at the Site II Mackenzie Mill, as the mills are presently constituted and at full two-shift sawmilling capacity. 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 purchase logs. Open market log purchases provide the balance of our sawlog requirements and 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).

The availability of an economical fibre supply is a significant factor affecting the profitability of our lumber segment. A high degree of fibre self-sufficiency reduces our exposure to uncertainties in the open market for fibre. The current sawlog harvest levels in the Mackenzie TSA and the Fort St. James forest district considerably exceed the sawlog consumption levels from the sawmills located in these regions. We believe that we have an excellent timber base with a significant amount of high-quality fibre within economic reach of each of our mills.

Forest Management Strategy

We are responsible for the management of forest resources under our tenures in accordance with the requirements of applicable laws and regulations. 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, forest development, road building and harvesting, reforestation, forest protection and environmental certification. We use independent logging contractors to carry out all harvesting and associated road building activities in our TSAs. All contractors are required to perform safety, environmental and forest management standards that we establish. We 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 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 foresters' "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 Wildfire Management Branch of the Ministry of Forests 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 Wildfire Management Branch personnel as necessary.

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

Mountain Pine Beetle

The mountain pine beetle ("**MPB**") infestation, which peaked a number of years 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 is expected to affect the long-term timber supply in the interior of B.C., however, given the nature and extent of the infestation, the long-term effect of the MPB infestation on our operations is uncertain. The potential 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 production costs.

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%. Overcuts at the end of the cut control period count as volume harvested in the subsequent cut control period, and overcuts of more than 10% will incur monetary penalties. If the volume of timber harvested in the cut control period is less than the cumulative AAC for that period, the tenure holder cannot harvest the undercut volume in the subsequent period. The Ministry of Forests may, however, at its sole discretion, choose to dispose of the undercut volume to a party other than the tenure holder.

In response to the growing MPB epidemic, the AAC for the Prince George TSA was temporarily increased in June 2002 from 9.364 million cubic metres to 12.244 million cubic metres, and further increased in October 2004 to 14.944 million cubic metres. However, in January 2011, the Chief Forester subsequently reduced the AAC for the Prince George TSA to 12.5 million cubic metres. In addition, the Chief Forester prescribed a partition of the cut limiting harvest of non-pine species to a maximum of 3.5 million cubic metres.

In 2014, the Ministry of Forests completed its review of the AAC for the Mackenzie TSA. Effective November 14, 2014, the AAC for the Mackenzie TSA was increased approximately 47% from 3.05 million cubic metres to 4.5 million cubic metres. The Chief Forester prescribed a partition of the cut limiting harvest of non-pine leading stand volume to 950,000 cubic metres. Of this partition, no more than 300,000 cubic metres of non-pine leading stand volume may be harvested from the southwest portion of the Mackenzie TSA. The increased AAC will remain in effect until the next review, which, by regulation, must occur within the next 10 years.

Stumpage Charges

Substantially all of our log requirements 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 an individual stumpage rate for each cutting permit. Stumpage rates are also adjusted quarterly to reflect changes in lumber prices.

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 Fort St. James Mill and the Site II Mackenzie Mill. The mills manufacture kiln-dried lumber primarily for the construction markets in the United States, Canada and Japan and the remanufacturing market in China.

Fort St. James Mill

The Fort St. James Mill is located in Fort St. James, British Columbia, a community approximately 160 kilometres northwest of Prince George, British Columbia. The Fort St. James Mill has approximately 310 million board feet of annual lumber capacity on a two-shift basis, as well as timberland operations with 640,000 cubic metres of harvestable AAC under the FSJ FL from high-quality Crown-owned tenures. The FSJ FL can provide approximately 64% of the Fort St. James Mill's annual sawlog requirements, with the balance of the mill's sawlog requirements acquired from third parties and through management agreements with other forest tenure holders.

We converted the Fort St. James Mill from a three-line to two-line operating format in early 2012 to increase production efficiencies and further reduce unit cash conversion costs. By the end of 2013, we had largely recaptured the production volume forfeited by the conversion, and, in 2014, the Fort St. James Mill produced approximately 276 million board feet of finished lumber.

Mackenzie Mills

The Mackenzie Mills are located in Mackenzie, British Columbia, a community approximately 192 kilometres north of Prince George, British Columbia. The Mackenzie Mills have a combined 435 million board feet of annual lumber capacity on a two-shift basis, as well as timberland operations with 932,500 cubic metres of high-quality harvestable AAC under the Mackenzie FL from Crown-owned land. The Mackenzie FL can provide all of the Site II Mackenzie Mill's annual sawlog requirements as presently constituted (operating on a two-shift basis). The Site II Mackenzie Mill produced approximately 229 million board feet of finished lumber in 2014.

Products from our mills

Lumber

Our mills principally manufacture finished softwood lumber milled from spruce, pine and fir logs. The lumber produced by our mills typically ranges in size from two by four inches to two by twelve inches and in lengths from six feet to twenty feet. Our mills produce a variety of grades ranging from lower grades, such as economy and #3, to higher grades, such as #2 & Better, Select 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 customers within a close geographical range to minimize freight costs, which can be a substantial component of the total costs incurred in the sale of such lower value products. We sell the wood chips produced at our mills to third parties pursuant to existing residual chip supply agreements. Upon completion of the Mackenzie Power Project, we expect that it will utilize a portion of the sawdust, shavings and bark from our Site II Mackenzie Mill.

Marketing, Sales and Distribution

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

Lumber Sales by Geographic Market	**Year Ended December 31, 2014**	**Year Ended December 31, 2013**
	(%)	**(%)**
By Revenue (net of freight)		
United States	51	42
China	27	35
Canada	12	10
Japan	9	12
Other export	1	1
	100	**100**
By Shipment Volume		
United States	47	39
China	33	41
Canada	11	11
Japan	7	8
Other export	2	1
	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 2014.

Our customers include national and regional distributors, large construction firms, 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 use in industrial applications, such as concrete forming and packaging, as well as a considerable potential to consume higher-grade lumber in 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.

The Government of Canada levies an export tax on shipments of softwood lumber to the United States in accordance with the softwood lumber agreement dated September 12, 2006, between Canada and the United States (the "**SLA**").

The export tax rate ranges from 0% to 15% based upon the published Random Lengths Framing Lumber Composite Price. The tax penalizes Canadian exports to the United States at lower composite price levels, but the export tax rate decreases as the composite price level increases to and sustains specified levels for a specified period. The export tax rate averaged 0% during 2014 and 2% during 2013. The SLA, originally set to expire on October 12, 2013, was extended for an additional two years to October 2015.

We ship the majority of lumber from our mills 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 the sales revenue by product at our mills for the year ended December 31, 2014 and the year ended December 31, 2013:

Sales by Product	**Year Ended December 31, 2014**	**Year Ended December 31, 2013**
	(in millions)	
Lumber - produced by Conifex	$228.5	$201.2
Lumber - wholesale	83.2	23.6
By-Product	27.3	20.3
Logistics Services	13.9	14.5
	$352.9	**$259.6**

We operate our lumber distribution business through our wholly-owned subsidiary Conifex Fibre Marketing Inc. and our transportation and logistics business through Navcor Transportation Services Inc. ("**Navcor**"). In February 2014, we further expanded our market coverage and penetration with the acquisition of Lignum. Lignum serves customers and distributes products complementary to ours and other B.C. lumber producers through a network of established inventory locations in North America. In addition to arranging for the distribution of our manufactured products and the wholesale lumber business undertaken by Conifex Fibre Marketing Inc. and Lignum, Navcor continues to provide logistics and consulting services to third parties. Each of these companies operates as an independent profit centre.

Our customers generally make purchasing decisions based on price, quality and service. Through our focus on product consistency, market knowledge, customer service and superior logistical capabilities, we believe that we have established a loyal customer base since commencing operations. We believe our internal marketing and logistics capabilities provide enhanced opportunities to quickly shift products between our key markets, to earn incremental revenue from wholesale lumber transactions and provision of third party logistics services and to reduce overall marketing and distribution costs while retaining an extensive professional team with considerable market access and expertise.

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 mills in relation to our competitors. Like others in the Canadian 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, low asset acquisition costs and a committed board of directors and management team.

Capital Expenditures

The previous owners of the Fort St. James Mill and the Mackenzie Mills lagged in their capital investments at the mills, and we believe the mills are currently in the early stages of their capital development cycles. To date, capital improvement projects undertaken in our lumber segment have been largely focused on improvements in finishing processes, including the installation of kilns for drying lumber and automated lumber grading systems, as well as projects to replace and upgrade aging equipment and projects related to safety and asset protection. In 2014, we invested approximately $12 million in the installation of equipment to enhance dust containment at source at the Fort St. James Mill and the Site II Mackenzie Mill.

We believe that, with the completion of appropriate longer-term capital programs, our Fort St. James Mill and Mackenzie Mills have the potential to produce cash flows in line with the top performing mills in the interior region of British Columbia. Our mills' processing flexibility and two-line configurations position them to emerge as cost-effective producers of a variety of high quality lumber products, because the two-line configuration allows efficient processing of the available log profile. In 2015, in addition to undertaking several affordable, higher-return capital projects to further improve productivity, we intend to develop a longer-term capital plan designed to significantly improve lumber segment performance. We intend to further study and prioritize a number of options, including simplification and modernization of the Fort St. James Mill and determination of the optimal long-term configuration for the Mackenzie operations, given the recent uplift of the AAC in the Mackenzie TSA and the potential for additional synergies with the Mackenzie Power Project.

Bioenergy Segment

We intend to develop complementary new revenue streams around our core lumber business to further our objective to responsibly maximize the value of our fibre resources. Our initiatives in the bioenergy segment are anchored by our belief that, over time, low-value wood fibre as feedstock may be profitably used for higher-value bioenergy and bio-products production. The development of the Mackenzie Power Project is an important component of our longer-term strategy to develop other opportunities in bioenergy and bio-products to complement our harvesting and manufacturing operations. We believe that our access to conventional softwood fibre and to forest biomass, coupled with developing expertise in comprehensive supply chain management, provides a strong foundation for our bioenergy segment to pursue such opportunities.

Background to Mackenzie Power Project

In March 2011, we initiated the Mackenzie Power Project, which consists of constructing a 36 MW biomass power plant in Mackenzie, British Columbia adjacent to our currently idled Site I sawmill complex and within an existing building with supporting infrastructure. We expect to source the feedstock for the planned biomass power plant from a portion of the residuals and former waste products produced at our lumber manufacturing and log harvesting operations. We believe that the Mackenzie Power Project, once completed, will provide a stable and diversified source of revenue in the bioenergy segment, as well as an assured market for a portion of the sawmill residuals produced in the manufacture of lumber.

The Mackenzie Power Project is designed to utilize proven technology and to produce approximately 230 gigawatt hours ("**GWh**") of net energy per year. In June 2011, we completed an electricity purchase agreement (the "**EPA**") and a related load displacement agreement (the "**LDA**") with the British Columbia Hydro and Power Authority ("**BC Hydro**"). Under the EPA, we agreed to supply a minimum of approximately 200 GWh of electrical energy annually to BC Hydro over a 20-year term for a fixed price. Under the LDA, we must meet and supply the energy requirements of our Mackenzie Mills over the same 20-year term. In exchange for our agreement to supply such energy to our Mackenzie Mills, BC Hydro agreed to provide incentive funding towards the completion of the Mackenzie Power Project.

Significant developments

Management finalized its capital expenditure budget for the Mackenzie Power Project at approximately $100 million including a $6 million general contingency. We resumed construction activities on the project in

September 2013, upon the commitment of the Project Financing for an aggregate of up to $102.7 million. For further details on the Project Financing, see the section of this Annual Information Form titled "*Description of Our Business – General Development – Financings – $102.7 million Mackenzie Power Project financing*".

Construction of the Mackenzie Power Project was largely completed and on budget by the end of September 2014. We had completed procurement and engineering activities and had begun testing and commissioning the various systems. In mid-October 2014, during the run test required to achieve the commercial operation date in accordance with the EPA, the failure of certain newly installed equipment caused damage to some components. The original equipment manufacturers completed repairs to the damaged components off-site, and all material components were returned to the project site by the end of the year. The reassembly, testing and commissioning work is progressing as planned. We expect commissioning of the numerous systems to be substantially completed towards the end of the first quarter of 2015, with delivery of electricity under the EPA to commence thereafter, assuming conducive weather conditions.

CP Partnership has received confirmation from the underwriter that insurance coverage for physical damage and delay in start-up has been extended under its course of construction policy. We currently expect the net financial impact attributable to the delay of commercial operations to be up to $3.5 million, comprising the deductible for insurance for physical equipment damage and the customary waiting period for the receipt of the insurance proceeds under the delay in start-up coverage.

We expect the successful completion of the Mackenzie Power Project will contribute to cash flow by providing a consistent source of revenue from the fixed price EPA and will enhance the long-term competitiveness of the Mackenzie Mills.

Management has worked to mitigate the execution risks inherent in a project of this magnitude through various methods, including the use of proven technology and equipment and the expertise of original equipment manufacturers, extensive independent engineering reviews, experienced professionals familiar with the site and existing equipment, commitment of considerable resources to the testing and commissioning phase, staged testing of key components, development of comprehensive training and safety protocols, and financial risk mitigation including provision for currency fluctuations in the budget and use of long-term interest rate swaps to fix interest rates. Despite these and other management practices, there is no assurance that the Mackenzie Power Project will achieve commercial operations as planned, on budget or at all.

Human Resources

As at December 31, 2014, we had 572 employees, including 425 unionized employees represented by the USW. In March and April 2014, we settled new five-year collective agreements with the USW. For additional information, see the section of this Annual Information Form titled "*Description of Our Business – General Development – Labour Agreement with United Steel Workers".*

We are a member of the Council of Northern Interior Forest Employment Relations ("**Conifer**"), which represents forest products companies in the interior region of British Columbia and certain other areas in their 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.

We have an accomplished leadership and management team with substantial experience in the forest products industry and strong capability to develop and execute long-term strategic objectives. We further strengthened our leadership team with the promotions announced in January 2015 of Tony Madia to Senior Vice President, Operations and Douglas Rooke to Vice President, Energy and Capital Projects, along with the appointment of Sandy Ferguson as Vice President, Corporate Development.

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 further heightened our focus on safety in 2012 following separate incidents that destroyed two sawmills in the northern interior of British Columbia. Partly in response to province-wide sawmill safety reviews ordered by WorkSafeBC, we undertook additional initiatives to mitigate workplace hazards. This effort is ongoing and approximately two-thirds of our 2014 capital expenditure program for the lumber segment was allocated to safety, environmental and dust mitigation projects.

Our focus on safety and workplace hazard mitigation is not limited to capital projects and also includes continual reinforcement of workplace safety with all of our employees, participation in an industry task force committed to improving dust safety in the workplace and commitment of increased resources to enhance safety leadership, clean-up and maintenance. In addition, to augment our continual safety improvement efforts, we retain the services of independent consultants from time to time to undertake periodic inspections at the Fort St. James Mill and the Site II Mackenzie Mill and provide recommendations as warranted. In 2014, Conifex was recertified by the British Columbia Forest Safety Council (the "**BCFSC**") as a "Safe Company".

We require all contractors we engage to carry out all activities on our licence areas to meet the standards we establish for our own operations. Prior to entering into any contractual agreements, 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.

Environmental Management

Our operations are subject to a wide array of federal, provincial, municipal and local 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 practicing sustainable forestry. 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 own 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 *Sustainable Forestry Initiative* (SFI®). The results of the audit are publically available on the KPMG website, and our forestry operations and timber procurement activities are certified to SFI standards. We also require all of 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 lumber and 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, and our certification thereunder. "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. We received our PEFC-certified Chain of Custody certification, which covers the production of softwood lumber, sawmill residual chips and by-products produced at the Fort St. James Mill and the Site II Mackenzie Mill to the point of sale, in November 2012.

To our knowledge, our forestry operations meet the standards for environmental protection set out in the FRPA and its associated regulations, and the operations of each of our mills materially comply with all applicable environmental requirements. We anticipate that the Mackenzie Power Project will operate within permitted levels and in material compliance with all permits and other environmental regulations.

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 Aboriginals 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 June 2014, the SCC released its landmark decision in *Tsilhqot'in Nation v. British Columbia* (the "**Tsilhqot'in Decision**") in which the SCC recognized that Aboriginal title to land exists and provided guidance on the evidence that Aboriginal groups must provide in order to establish title. Once title has been established, the Crown must seek the consent of title-holding Aboriginals before authorizing activity that might infringe on their interests. Authorizations requiring consultation may include approval of cutting permits, required ministerial action relating to the transfer or renewal of Crown timber tenures and all other such activity that will plainly be a meaningful diminution in the Aboriginals' title rights. The SCC also held that provincial laws of general application apply to land held under Aboriginal title if the laws are not unreasonable, impose no undue hardship and do not deny the Aboriginal title holders of their preferred means of exercising their rights.

The Tsilhqot'in Decision represents the first successful claim for Aboriginal title in Canada. While we do not operate in the area involved in the Tsilhqot'in Decision, the SCC's ruling may lead other Aboriginals groups in British Columbia and other Canadian provinces to pursue Aboriginal title in their traditional land-use areas. Although this has created uncertainty, we do not currently expect that the SCC decision will lead to any fundamental changes in how we conduct our lumber and sawlog operations.

We believe that our dealings with Aboriginals, 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 Aboriginals, 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 consult and, where possible, accommodate Aboriginal rights and foster positive long-term relations with Aboriginal communities.

We rely on provincial governments to adequately discharge obligations to Aboriginals 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 Aboriginals and further judgments of the courts may alleviate this uncertainty. However, as 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 the 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

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 factors such as North American economic conditions, including the strength of the U.S. housing market, the growing importance of the Asian market, changes in industry production capacity, changes in inventory levels and other factors beyond our control. In addition, interest rates have a significant effect on residential construction and renovation activity, which in turn influence the demand for and price of lumber.

Currency Risk

Most of our lumber is sold 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 us 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. This 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. The Canadian/U.S. dollar exchange rate is affected by a broad range of factors, making future rates difficult to predict.

Fibre Availability and Cost

Our sawmills' 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 must conduct a review of the AAC for each timber supply area on a periodic basis, which is usually once every five years. This review is then used to determine the AAC for licences issued by the Province under the Forest Act. 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 also 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.

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, a number of whom have larger capacity than us 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.

Mackenzie Power Project

We have undertaken a number of actions to mitigate the execution risks inherent in the Mackenzie Power Project through various methods, including the use of proven technology and equipment and the expertise of original equipment manufacturers, extensive independent engineering reviews, use of experienced professionals familiar with the site and existing equipment, employment of dedicated in-house project managers, commitment of extensive resources to the testing and commissioning phase, staged testing of key components, development of comprehensive training and safety protocols, and financial risk mitigation including provision for currency fluctuations in our budget, and a long-term hedge of interest rates. Despite these and other management practices, the Mackenzie Power Project is subject to a number of risks and uncertainties, including, among others, financial penalties if the project does not deliver the contract amount of energy under the EPA, failure to attract and retain required personnel and skills to operate the facilities, failure of the equipment and technology to perform as expected, delays in the testing, commissioning and commencement of commercial operations and cost overruns of budgeted capital expenditures.

In mid-October 2014, during the run test required to achieve commercial operations under the EPA, certain newly installed equipment failed, causing damage to some components. The damaged components have been repaired by the original equipment manufacturers and returned to the Mackenzie Power Project site by the end of 2014. While we currently expect commissioning of the numerous systems to be substantially completed towards the end of the first quarter of 2015, there is no guarantee that commissioning and the start of commercial operations will occur as expected or at all. Various factors, including weather conditions, equipment failures and limited availability of personnel, may impact the timing and/or success of commissioning and the start of commercial operations. We currently expect that the delay will add costs of up to $3.5 million to the Mackenzie Power Project, comprised of deductibles and customary waiting periods for receipt of insurance proceeds; however, costs could increase if there are further delays or equipment failures. While we presently expect to be fully reimbursed under our delay in start-up insurance coverage for foregone income after the expiry of the waiting period, there can be no assurance that our insurance claim will be paid in full, within the expected time period or at all.

Capital Projects

We undertake ongoing maintenance activities and capital improvement projects at our manufacturing facilities. Capital projects require significant commitment of our financial and other resources, and the results of the 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, employ demonstrated technology and commit other resources as required. 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 the completed project to deliver the expected benefits. The realization of any of these risks could have a material adverse effect on our business, financial condition and operating results.

Combustible Dust

In two separate incidents in January and April 2012, explosions and the resulting fires destroyed two northern interior British Columbia sawmills. In response, the Government of British Columbia, the Office of the Fire Commissioner and WorkSafeBC investigated industry practices for managing combustible dust levels. The Government of British Columbia or WorkSafeBC may propose new regulations in the wake of these incidents, and they have stepped up enforcement of various regulations. Failure to comply with applicable laws and regulations may result in fines, penalties or enforcement actions, including orders suspending or curtailing our operations or requiring corrective measures or remedial actions, and we may incur costs or be required to temporarily suspend operations to address new regulations, if any.

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, 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 we use 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. For example, freight and distribution costs related to shipments of lumber produced by us increased in 2014 compared to the previous year, relating, in part, to higher costs associated with heightened competition for trucks as a result of shipment disruptions at the main container port in Vancouver, British Columbia in the first quarter of 2014.

Operational Curtailments

From time to time, we may suspend operation of our sawmills or one 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 and fire hazards. These unscheduled operational suspensions could have a material adverse effect on our financial condition. 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.

Liquidity Risk

Liquidity risk is the risk that we will be unable to meet our 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, cash flow from operations and our existing credit facilities.

Although we believe our actions will result in sufficient liquidity, there can be no assurance that we will be successful or that market forces or competition will not work to offset our actions. In addition, 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. 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.

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 or our IT systems may 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 Disasters

Our operations are subject to adverse natural events such as forest fires, severe weather conditions, 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.

Our timber tenures are subject to the risks associated with 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 severe weather including wind, snow and rain that may result in our operations being unable to harvest or transport logs to our sawmills. We are unable to predict the impact of all these factors on our tenures or our forest practices.

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

Mountain Pine Beetle

The long-term effect of the MPB infestation on our operations is 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 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 timing and extent of the effect on our timber supply, lumber grade and recovery, wood chip quality and production costs 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 and provincial 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 neighboring 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. Our mills have 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, these businesses may have 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.

Softwood Lumber Agreement and Surge Tax

The SLA had an original term of seven years. In January 2012, representatives of the Canadian and U.S. governments jointly announced a two-year extension of the SLA, which is now due to expire in October 2015. Discussions on the upcoming SLA expiry have begun between Canadian and the U.S. governments, with Canada's expectation that the current SLA be renewed or be allowed to expire without replacement. The outcome of those discussions is uncertain and could result in significant impacts to our U.S. lumber exports.

Both Canada and the U.S. have rights under the SLA to terminate the agreement. In order to terminate, the U.S. must provide a six month notice period, and it cannot launch a new countervailing duty or anti-dumping duty for 12 months after termination. Canada may terminate at any time with six months' notice. Any early termination of the SLA would likely result in the U.S. initiating a new countervailing duty and anti-dumping duty investigation, potentially leading to duties imposed on Canadian lumber producers, including us.

Under the SLA, if monthly shipments from British Columbia's interior region exceed a certain prescribed volume, the applicable export rate for that month is increased by 50%. If the export tax was at the maximum rate of 15%, the surge tax could potentially mean an increase from 15% to 22.5%. The calculation of prescribed volumes is based on estimated trailing U.S. lumber consumption. We cannot predict with any certainty the export tax rate applicable to future lumber shipments or the potential application and timing of the surge tax.

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.

Stumpage Fees

Substantially all of our log requirements 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 changes 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 Aboriginals. 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.

Labour Relations

We employ a unionized work force in our sawmilling and power generation operations. In March and April 2014, we completed new, five-year collective labour agreements with the USW at our Fort St. James Mill and Mackenzie operations, respectively. The agreements have retroactive effect to July 1, 2013 and expire on June 30, 2018. Any failure to negotiate acceptable agreements with the USW for either the Fort St. James Mill or our Mackenzie operations upon the expiry of the current agreements may result in a strike or work stoppage by the affected employees that could result in lost production and sales, higher costs or supply constraints that could have a material adverse effect on our business. The registration or renewal of the collective agreements or the outcome of wage negotiations could result in higher wages or benefits paid to union members. Accordingly, we could experience a significant disruption to our operations or higher ongoing labour costs, which could have a material adverse effect on our business, financial condition, results of operations or cash flow.

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.

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 any of our common shares since incorporation and do not foresee the declaration or payment of any dividends on our 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.

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 20,971,157 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.

On May 14, 2013, we announced that our Board adopted a shareholder rights plan (the "**Rights Plan**"), which our shareholders subsequently ratified for an initial term of three years at our 2013 annual general meeting. Pursuant to the Rights Plan, one right attached to each of our outstanding common shares and one right will attach to any of our common shares issued during the term of the Rights Plan. Subject to the terms of the Rights Plan and to certain exceptions provided therein, the rights will become exercisable in the event that any person, together with any joint actors, acquires or announces its intention to acquire 20% or more of our outstanding shares without complying with the "Permitted Bid" provisions of the Rights Plan, unless the application of the Rights Plan is waived in accordance with its terms. The "Permitted Bid" provisions prevent the dilutive effects of the Rights Plan from operating if a take-over bid is made to all holders of our common shares (other than the bidder) by way of a take-over bid circular that remains open for acceptance for a minimum of 60 days and that satisfies certain other conditions. If a take-over bid does not comply with the requirements of the Rights Plan or the application of the Rights Plan is not waived in accordance with its terms, the rights holders (other than the acquiring person and its joint actors) will be entitled to purchase additional common shares at a significant discount to the market price.

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.

As at the date hereof, no Preferred Shares are issued and outstanding. We currently have no intention to issue any Preferred Shares.

MARKET FOR SECURITIES

Trading Price and Volume

Our common shares began trading on the TSX-V under the symbol "CFF" on June 8, 2010, and, on May 20, 2014, our common shares began trading on the TSX and were delisted from the TSX-V. The following table provides the monthly high and low sales price and trading volume of our common shares for our fiscal year ended December 31, 2014:

Trading Summary for CFF*

	High ($)	Low ($)	Volume Traded (# of Shares)
2014			
January	9.00	8.40	545,267
February	9.75	8.71	602,485
March	9.72	8.20	721,137
April	8.71	7.90	1,070,264
May	8.84	7.70	524,486
June	8.20	7.25	889,614
July	8.14	7.50	367,190
August	8.35	7.54	285,211
September	8.46	7.74	432,952
October	8.14	6.56	478,233
November	6.65	5.56	909,558
December	7.08	5.10	628,284

* Trading data up to and including May 19, 2014 is from the TSX-V; data from and including May 20, 2014 is from the TSX.

Prior Sales

The following table summarizes the issuances of our securities, other than our common shares, that we issued within the 2014 fiscal year:

Date	Price per Security	Number of Securities	Type of Security
January 2, 2014	8.80(1)	5,000	RSUs(2)
January 31, 2014	8.86(1)	45,000	RSUs(2)
April 1, 2014	8.53(1)	5,000	RSUs(2)
April 14,2014	8.30(1)	10,000	RSUs(2)
April 14, 2014	8.30(1)	2,485	DSUs(3)
June 30, 2014	7.69(1)	200,000	PSUs(4)
June 30, 2014	8.00(1)	127,500	RSUs(2)
July 15, 2014	7.80(1)	2,644	DSUs(3)
October 1, 2014	8.03(1)	2,500	RSUs(2)
October 15, 2014	7.36(1)	2,803	DSUs(3)
November 1, 2014	6.60(1)	3,500	RSUs(2)
December 15, 2014	$1,000	12,000	Convertible Notes(5)

Notes:

(1) Represents the deemed price at which the securities were issued.

(2) "RSUs" means restricted share unit awards issued under our long-term incentive plan dated June 3, 2010, as amended (the "**LTIP**").

(3) "DSUs" means deferred share unit awards issued under the LTIP.

(4) "PSUs" means performance share unit awards issued under the LTIP.

(5) "Convertible Notes" means the Convertible Notes issued on December 15, 2014. For additional information, see the section of this Annual Information Form titled "*Description of Our Business – General Development – Financings – $12 million convertible note financing*".

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 2015. The following table sets forth the name, province and country of residence and position(s) held for each of our directors and executive officers as at the date hereof, as well as the date of election or appointment, as the case may be, of each of our directors:

Name and Province and Country of Residence	Current Position	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
George Malpass British Columbia, Canada	Director	May 27, 2010
James Shepherd(1)(2)(3) British Columbia, Canada	Director	June 3, 2010
Jim Jia British Columbia, Canada	Director	June 3, 2010
John Bae(1) British Columbia, Canada	Director	June 21, 2010
Michael Costello(2)(3) British Columbia, Canada	Director	April 18, 2012
Pat Bell(1) British Columbia, Canada	Director	August 12, 2013
Yuri Lewis British Columbia, Canada	Chief Financial Officer and Corporate Secretary	N/A
Hans Thur British Columbia, Canada	Senior Vice President, Marketing	N/A
Antonio Madia British Columbia, Canada	Senior Vice President, Operations	N/A

Notes:
(1) A member of the Environmental, Health and Safety Committee, which is comprised of Messrs. Shepherd (Chair), Shields, Bae and Bell.
(2) A member of the Audit Committee, which is comprised of Messrs. Costello (Chair), Roberts, and Shepherd.
(3) A member of the Corporate Governance and Human Resources Committee, which is comprised of Messrs. Roberts (Chair), Costello and Shepherd.

As at the date hereof, our directors and executive officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over 1,906,770 (approximately 9%) of our issued and 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 66, Chairman, Chief Executive Officer, President and Director. Mr. Shields currently serves as a director of the Forest Products Association of Canada and the British Columbia Lumber Trade Council. Mr. Shields previously served as Chair of the Canadian BioEnergy Association and director of the Investment Dealers' Association of Canada, Raymond James Financial Inc., Mercer International Inc., TimberWest Forest Corp. and Slocan Forest Products Ltd. Mr. Shields resigned as Chief Executive Officer of Raymond James Ltd. in 2006 to devote his efforts to launching Conifex Timber Inc.

David Roberts, age 73, 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.

George Malpass, age 75, Director. Mr. Malpass is a former President, Chief Executive Officer and the founder of Primex Forest Products Ltd., a coastal British Columbia lumber company, which maintained consistent profitability over 17 consecutive years. Mr. Malpass has served as a director of Mercer International Inc., International Forest Products Ltd. and Riverside Forest Products Ltd. and is a former chairman of the Council of Forest Industries of British Columbia.

James Shepherd, age 62, Director. Mr. Shepherd has over 25 years of experience in the forest product sector and presently serves on the board of directors of Mercer International Inc. Mr. Shepherd was the President and Chief Executive Officer of Canfor Corporation, which is listed on the TSX, from 2004 to 2006 and was President and Chief Executive Officer of Slocan Forest Products Ltd. from 1999 to 2004. Mr. Shepherd is a former President of Crestbrook Forest Industries Ltd. and Finlay Forest Industries Limited and is a former Chairman of the Forest Products Association of Canada. Mr. Shepherd was a director of Canfor Corporation from 2004 to 2007 and was a director of Canfor Pulp Income Fund from 2006 to 2007.

Jim Jia, age 47, Director. Mr. Jia is the President of LJ Resources Co. Ltd., a company which is associated with Hebei Wenfeng Industry Group. Mr. Jia has over 20 years of forest industry experience and was a senior account executive at Canfor Corporation, where he pioneered the softwood lumber market in China.

John Bae, age 44, Director. Mr. Bae is the corporate development manager of LJ Resources Co. Ltd. Mr. Bae has over 20 years of global softwood lumber marketing experience.

Michael Costello, age 64, Director. Mr. Costello has held a number of executive and board positions during his career and currently serves as a director of the BC Health Benefit Trust and InTransit BC (Canada Line). Mr. Costello has also 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 director of the Vancouver Island Health Authority.

Pat Bell, age 58, Director. Mr. Bell served as Executive Vice President of the Company in 2014. During his political career, Mr. Bell served three terms in the BC Legislature and held a number of high profile positions with the provincial government, including Minister of Jobs, Tourism and Skills Training, Minister of Forests and Range and Minister of Agriculture. Mr. Bell's entrepreneurial career involved interests in a variety of businesses, including a logging company and a trucking company. Earlier in his career, Mr. Bell worked in the hospitality industry at a corporate level, and he remains involved with the organization as a franchisee.

Yuri Lewis, age 55, Chief Financial Officer and Corporate Secretary. Mrs. Lewis has over 30 years of experience in the forest products sector, primarily with wholesale and distribution companies and most recently with Welco. Mrs. Lewis has been a member of the Certified General Accountants (CGA) Association of British Columbia since 1987 and completed her MBA in 2002.

Hans Thur, age 58, Senior Vice President Marketing. Mr. Thur has extensive marketing, sales and global supply chain management experience with a leading North American lumber manufacturer. In his previous role, Mr. Thur was also responsible for the integration of several newly acquired business units. Mr. Thur is familiar with the softwood lumber wholesale and distribution business through direct experience gained earlier in his career.

Antonio Madia, age 40, Senior Vice President Operations. Mr. Madia has over 20 years of experience in the forest products sector in a variety of roles including forestry, maintenance planning, accounting and finance and operations management. Mr. Madia earned his forestry degree in 1999 and his Certified General Accountants (CGA) 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 will 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 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 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

Michael Costello chairs the Audit Committee. The other members of the Audit Committee are David E. Roberts and James Shepherd. 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 responsibilities as a member of the Audit Committee:

Michael Costello. Mr. Costello has held a number of executive and board positions during his career and currently serves as a director of BC Health Benefit Trust and InTransit BC (Canada Line). Mr. Costello has also 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 a director of the Vancouver Island Health Authority.

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.

James Shepherd. Mr. Shepherd has over 25 years of experience in the forest product sector and presently serves on the board of directors of Mercer International Inc. Mr. Shepherd is a former President and Chief Executive Officer of Canfor Corporation (2004-2006) and Slocan Forest Products Ltd. (1999-2004). Mr. Shepherd is the former President of Crestbrook Forest Industries Ltd. and Finlay Forest Industries Limited and is a former chairman of the Forest Products Association of Canada.

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, 2014 and December 31, 2013, were as follows:

	2014	2013
Audit fees[(1)]	$166,654	$135,193
Audit-related fees[(2)]	47,787	47,250
Tax fees [(3)]	68,572	135,208
Other fees[(4)]	76,093	9,660
	$359,106	**$327,311**

Notes:
(1) Audit fees include the annual financial statement audit of our Company and its subsidiaries.
(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 advisory and compliance services and tax credit contingency fees which are based on a percentage of recoveries.
(4) Other fees consist of services provided related to the documentation and testing of internal controls over financial reporting in 2014 and 2013.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as disclosed below, we are not involved nor have been involved in any legal or regulatory proceedings (including any such proceedings which are pending or threatened of which we are aware) within the preceding financial year.

Given the nature of the business environment in which we operate and the relative strength of our financial position, third parties may threaten or commence legal or regulatory proceedings against us in the ordinary course of our business. An adverse determination in litigation or regulatory proceedings could subject us to significant liabilities to third parties. Although such disputes often settle before trial, the costs associated with such arrangements may be substantial. We closely monitor the progress of all threatened litigation and, where we consider it appropriate, make the appropriate provisions and reserves in our financial statements.

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

Except as discussed below, 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 December 2014, an affiliate of Hebei Wenfeng Industrial Group, which owns or controls, directly or indirectly, in excess of 10% of our common shares, subscribed for $5,676,000 principal amount of the Convertible Notes on the same terms and conditions as were available to the other subscribers. For additional information regarding the Convertible Notes, see the section of this Annual Information Form titled "*Description of Our Business – General Development – Financings – $12 million convertible note financing*".

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 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 the section of this Annual Information Form titled "*Description of Our Business – Bioenergy Segment*";

2. LDA dated June 10, 2011 between BC Hydro and us. For additional information, see the section of this Annual Information Form titled "*Description of Our Business – Bioenergy Segment*";

3. Warrant Indenture dated December 18, 2012 between Computershare Trust Company of Canada and us;

4. Loan Agreement dated April 2, 2013, as amended, between Royal Bank of Canada and us. For additional information, see the section of this Annual Information Form titled "*Description of Our Business - General Development – Financings – $25 million senior secured revolving asset backed credit facility*";

5. The Rights Plan dated May 14, 2013 between Computershare Investor Services Inc. and us. For additional information, see the section of this Annual Information Form titled "*Description of Capital Structure – Common Shares*";

6. The Note Purchase Agreement dated September 5, 2013 between Vertex One Asset Management Inc. and us. For additional information, see the section of this Annual Information Form titled "*Description of Our Business – General Development – Financings – $30 million senior secured financing*";

7. Credit Agreement dated November 27, 2013, as amended, between Canadian Imperial Bank of Commerce [et al] and us. For additional information, see the section of this Annual Information Form titled "*Description of Our Business – General Development – Financings – $102.7 million Mackenzie Power Project financing*"; and

8. Trust Indenture dated December 15, 2014 between Valiant Trust Company and us. For additional information, see the section of this Annual Information Form titled "*Description of Our Business – General Development – Financings – $12 million convertible note financing*".

INTERESTS OF EXPERTS

Our auditors are PricewaterhouseCoopers LLP, Chartered 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 7, 2014 in respect of our annual and special meeting of shareholders held on June 10, 2014, 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, 2014, 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:

Financial Disclosure, Risk Management and Internal Controls

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. To confirm that all annual and interim financial statement filings are certified by the chief executive officer and the chief financial officer if and as required by applicable law.

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

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. 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.

11. To review the significant reports to management prepared by the internal accounting and financial personnel and management's responses.

External Auditor

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. 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.

14. The sole authority to approve all audit engagement terms and fees to be paid to the independent auditor for audit services.

15. 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.

16. 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.

17. 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.

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 meet at least quarterly with the chief financial officer and the independent auditor in separate executive sessions.

Non-Audit Services

20. The authority to engage independent counsel and other advisors as it deems necessary to carry out the duties and responsibilities of the Audit Committee.

21. 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.

Internal Control

22. To review with management and the independent auditor the adequacy and effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control and controls related to the prevention and detection of fraud and improper or illegal transactions or payments, the status of the remediation of any identified control deficiencies, and elicit recommendations for improvements.

23. To understand the scope of the independent auditors' review of internal control over financial reporting, and obtain and review reports on significant findings and recommendations, including respecting the Company's accounting principles or changes to such principles or their application and the treatment of financial information discussed with management, together with management's responses.

Compliance

24. 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.

25. To review and consider compliance with statutes relating to areas for which the Audit Committee has responsibility.

26. 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.

27. 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.

General

28. To report regularly to the Board on Audit Committee activities, issues and related recommendations.

29. To review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

30. 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.

31. 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.

32. 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.

33. To review the appointment and replacement of the senior accounting and financial executives.

34. To review with management material matters relating to tax and insurance.

35. To review and consider transactions with related parties and/or affiliated transactions.

36. 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.

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

The minutes of all meetings of the 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

Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
Financial Disclosure, Risk Management and Internal Controls												
(i) Review the annual audited financial statements and adequacy and effectiveness of the Company's internal controls with management and the auditor and related CEO and CFO certifications		•										
(ii) Review analysis prepared by		•			•			•			•	

Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
management and the auditor of significant financial reporting issues and judgments												
(iii) Review with management and the auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities		•			•			•			•	
(iv) Review with the auditor any problems and difficulties the auditor may have encountered and any disagreements with management		•			•			•			•	
(v) Review with management and the auditor the Company's quarterly financials, the adequacy and effectiveness of the Company's internal controls and related CEO and CFO certifications		•			•			•			•	
(vi) Review the report required for the Company's Annual Information Form and management information circular or other document prescribed by applicable securities laws					•							
(vii) Meet with management and review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures		•						•				
(viii) Review the significant reports to management prepared by the internal accounting and financial personnel		•			•			•			•	
External Auditor (i) Review and discuss with the auditors the scope of the annual audit and results		•						•				
(ii) Review qualifications of the senior members of the auditor team, quality control procedures and the rotation of partners								•				
(iii) Pre-approve the retention of the auditor for all audit and permitted non-audit services								•				
Compliance (i) Obtain confirmation from management and the auditor re: compliance with legal requirements and the Code of Conduct		•			•			•			•	
(ii) Review and consider compliance with statutes relating to areas for which the Audit Committee has responsibility		•			•			•			•	
(iii) Review with management and the auditor any correspondence with		•			•			•			•	

Agenda Items	**J**	**F**	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
regulators or governmental agencies and any employee or anonymous complaints which raise material issues regarding the Company's financials and accounting policies												
General Duties (i) Review and reassess the adequacy of the Audit Committee Charter		•				•						
(ii) Review Whistleblower Policy and all reports thereon as scheduled and otherwise as required		•										
(iii) Review and investigate any matters pertaining to the integrity of management (as needed)		•			•			•			•	
(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)											•	
(vi) Review with management material matters relating to tax and insurance		•			•			•			•	
(vii) Review and consider transactions with related parties as scheduled and otherwise as required		•										
(viii) Review and approve summary expense reports and reimbursement of the Chair, Chief Executive Officer and Chief Financial Officer		•										