



## **Interfor Corporation**

### **ANNUAL INFORMATION FORM**

**Prepared as of February 7, 2019**

In this Annual Information Form, the term "Company", "Interfor", "we" or "our" means Interfor Corporation together with its subsidiaries. The financial results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All information in this Annual Information Form is presented as at December 31, 2018, and all amounts are in Canadian Dollars, unless otherwise specified herein.

#### **FORWARD LOOKING INFORMATION**

This Annual Information Form contains forward-looking information about the Company's business outlook, objectives, plans, strategic priorities and other information that is not historical fact. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. Forward-looking information is included under the headings "Recent Developments", "Manufacturing and Timber Supply", "Sales, Marketing and Competitive Position", "Distribution", "Human Resources", "Environment", "Research and Development" and "Risk Factors". Statements containing forward-looking information may include words such as: will, could, should, believe, expect, anticipate, intend, forecast, projection, target, outlook, opportunity, risk or strategy.

Readers are cautioned that actual results may vary from the forward-looking information in this report, and undue reliance should not be placed on such forward-looking information. Risk factors that could cause actual results to differ materially from the forward-looking information in this report are described in Interfor's annual Management's Discussion & Analysis under the heading "Risks and Uncertainties", which is available on [www.interfor.com](http://www.interfor.com) and under Interfor's profile on [www.sedar.com](http://www.sedar.com). Material factors and assumptions used to develop the forward-looking information in this report include volatility in the selling prices for lumber, logs and wood chips; the Company's ability to compete on a global basis; the availability and cost of log supply; natural or man-made disasters; currency exchange rates; changes in government regulations; the availability of the Company's allowable annual cut ("AAC"); claims by and treaty settlements with Indigenous peoples; the Company's ability to export its products; the softwood lumber dispute between Canada and the U.S.; stumpage fees payable to the Province of British Columbia ("B.C."); environmental impacts of the Company's operations; labour disruptions; and information systems security.

Unless otherwise indicated, the forward-looking information in this report is based on the Company's expectations at the date of this report. Interfor undertakes no obligation to update such forward-looking information, except as required by law.

## **DESCRIPTION OF THE BUSINESS**

Interfor is a leading global supplier of lumber products. The Company has annual production capacity of approximately 3.1 billion board feet and offers one of the most diverse lines of lumber products to customers in North America, the Asia-Pacific region and Europe.

The Company has sawmilling operations in British Columbia, Washington, Oregon, Georgia, South Carolina and Arkansas. Interfor also owns value-added remanufacturing facilities in Washington and Georgia.

## **COMPANY HISTORY AND DESCRIPTION**

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

The Company was incorporated under the *Company Act* (British Columbia) on May 6, 1963 and, on December 1, 1979, was amalgamated with subsidiary Whonnock Forest Products Limited. On January 1, 1988, a change in name from Whonnock Industries Limited to International Forest Products Limited occurred. On February 10, 2006, we transitioned under the *Business Corporations Act* (British Columbia). Effective on May 6, 2014, the Company's name was changed to Interfor Corporation. Our head office and our registered and records offices are located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1H7.

Our significant indirectly wholly-owned subsidiary, Interfor U.S. Inc., is incorporated in the State of Washington and owns and operates our U.S. sawmills. Interfor Cedarprime Inc. (incorporated in the State of Washington) is also an indirectly wholly owned subsidiary of Interfor. Directly wholly-owned subsidiaries include Interfor U.S. Holdings Inc. (incorporated in Washington), Interfor Sales & Marketing Ltd. (incorporated in British Columbia), Interfor Japan Ltd. (incorporated in British Columbia) and Interfor Insurance Corporation (incorporated in Barbados).

## **RECENT DEVELOPMENTS**

### **2016**

A capital project to upgrade the Company's sawmill in Castlegar, B.C. was substantially complete by the end of 2015 and was operating at its designed productivity level to start 2016.

On February 9, 2016, Interfor renewed and extended its Canadian Operating Line of credit and Revolving Term Line to a new maturity date of May 19, 2019. The commitment amount, security and pricing grid remained unchanged, but the renewal included a number of improved provisions to provide enhanced financial flexibility and liquidity.

On June 15, 2016, the Company extended the maturity of its U.S. Operating Line from May 1, 2017 to May 1, 2018, without significant change to other terms.

On November 30, 2016, Interfor closed the sale of the Tacoma sawmill property for gross proceeds of US\$32.4 million. Net cash proceeds from the sale of the property were US\$20.4 million after taking into account transaction costs and US\$10 million of contingent consideration owed to Simpson Lumber Company, LLC.

**2017**

In 2017, the U.S. Department of Commerce and the U.S. International Trade Commission determined that the U.S. industry is materially injured by imports of softwood lumber products from Canada and imposed amended final countervailing (“CV”) and anti-dumping (“AD”) duties of 14.19% and 6.04%, respectively, on Interfor’s shipments of softwood lumber from Canada into the U.S. These duties only impact approximately 15% of Interfor’s total lumber sales, on average. CV duties were applicable from April 28, 2017 until August 26, 2017 and from December 28, 2017 onwards. AD duties were applicable from June 30, 2017 through December 26, 2017 and from December 28, 2017 onwards. The U.S. International Trade Commission ruling that the U.S. industry was materially injured by Canada’s trade practices has set the stage for ongoing litigation. The Government of Canada has indicated it will appeal the U.S. findings and defend itself vigorously against all claims of unfair trade practices made by the U.S. As in previous trade cases, the softwood lumber dispute may take years to resolve itself through the legal process, and remains open to a negotiated settlement at any time.

On March 7, 2017, the Company launched a normal course issuer bid (“NCIB”) to purchase for cancellation up to 3,500,000 of its common shares, representing approximately 5% of its public float as of March 2, 2017. No shares were purchased under this NCIB in 2017.

On May 17, 2017, the Company extended the maturity of its U.S. Operating Line from May 1, 2018 to May 1, 2019, without significant change to other terms.

On September 15, 2017, the Company extended its Canadian Operating Line of credit and Revolving Term Line from May 19, 2019 to September 15, 2021 with an additional borrowing margin and stand-by fee tier, reducing the cost for both drawn and undrawn amounts. There were no other significant changes.

On November 2, 2017, Interfor announced large scale projects at its Meldrim and Monticello sawmills, which represent a total investment of approximately US\$65 million, and are expected to be completed by Q2’19. These two projects are designed to add annual lumber production capacity of approximately 150 million board feet and enhance operating margins at these operations.

The U.S. tax reform enacted in December 2017 reduced the effective tax rate on Interfor’s U.S. operations from approximately 37% to 24%.

**2018**

On March 1, 2018, the Company renewed its normal course issuer bid (“NCIB”) whereby it can purchase for cancellation up to 3,500,000 Shares. On December 21, 2018, the Company amended the NCIB, to increase the number of Shares to 6,934,356, or 10% of its public float as at March 1, 2018. This NCIB began on March 7, 2018 and expires on March 6, 2019. During 2018, Interfor purchased 2,277,540 Shares under the NCIB at an average price of \$16.21 per share for a total cost of \$36,929,000. All Shares repurchased were cancelled.

On March 15, 2018, the Company published its first Corporate Sustainability Report, highlighting Interfor’s commitment to corporate social responsibility.

On June 15, 2018, the Company extended the maturity of its U.S. Operating Line from May 1, 2019 to June 15, 2021, with no other significant changes.

On August 2, 2018, Interfor announced large scale projects at its Thomaston, Eatonton and Georgetown sawmills, which represent a total investment of approximately US\$240 million, and are expected to be completed in various phases during 2019 to 2021. These projects are designed to add annual lumber production capacity of approximately 275 million board feet and enhance operating margins at these operations.

On August 14, 2018, Interfor completed an agreement to extend US\$84 million of its 2021 to 2023 Senior Secured Note maturities to 2027 to 2029. As a result, Interfor's weighted average fixed interest rate on its term debt increased to 4.47%.

## **MANUFACTURING AND TIMBER SUPPLY**

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

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

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

Sawmills	Present Rated Capacity ( <sup>1</sup> )	Production for years ended December 31,		
		2018	2017	2016
		(millions of board feet)		
<b>B.C. Coast<sup>(2)</sup></b>	320	148	148	159
<b>B.C. Interior</b>	750	683	727	717
<b>U.S. Northwest</b>	640	561	564	570
<b>U.S. South</b>	1,400	1,243	1,156	1,042
<b>Total</b>	<b>3,110</b>	<b>2,635</b>	<b>2,595</b>	<b>2,488</b>

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

(2) Volumes include lumber custom-cut at third party facilities under the direction of Interfor management amounting to 14, 13 and 10 million board feet in 2016, 2017 and 2018, respectively.

## **CANADIAN OPERATIONS**

### **B.C. Coast**

We own and operate two sawmill operations within the B.C. Coast region. Our Hammond operation is located on the Fraser River in Maple Ridge, B.C. and consists of a three-line sawmill, a planer mill and dry kilns. This facility is focused on western red cedar and supplies siding, decking, fascia and timbers for both offshore and North American markets. Our Acorn operation is located on leased land in Delta, B.C. and consists of a log dewatering and merchandizing system, a sawmill, a planer mill and dry kilns. This sawmill specializes in sizes and grades of lumber for use in Japanese traditional housing made primarily from hemlock and Douglas-fir logs.

## **B.C. Interior**

We own and operate three sawmill operations within the B.C. Interior region with timber tenures having a total AAC of 1.66 million cubic metres. Our Adams Lake operation is located near Kamloops, B.C., while our Castlegar and Grand Forks operations are located in the southern interior of B.C. These mills manufacture kiln-dried lumber for the U.S. and Canadian construction markets as well as for offshore markets, and have the capability to cut Douglas-fir, spruce-pine-fir ("SPF"), fir-larch, western red cedar and hemlock dimension lumber. The Castlegar operation includes a transportation system for transporting logs on Arrow Lake.

## **B.C. Timber Supply**

In the Province of British Columbia, the government or "Crown" owns 95% of the timberlands from which the majority of our timber is harvested. Forest and timber harvesting operations on Crown land in B.C. are regulated under the *Forest and Range Practices Act (British Columbia)* and the *Forest Act (British Columbia)*. The Government of B.C. is responsible for setting the harvest levels, approving forest stewardship plans and cutting permits, determining the stumpage system and managing compliance and enforcement.

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

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

We hold various Forest Licence ("FL"), Tree Farm Licence ("TFL") and Timber Licence tenures that currently provide for an AAC of approximately of 3.39 million cubic meters. The majority of Interfor's tenures are long term (15 and 25 year) renewable agreements that are generally replaced every five to ten years.

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

On the B.C. Coast, we harvest a variety of species consisting primarily of western hemlock, amabilis fir, western red cedar and Douglas-fir. In the B.C. Interior, the species mix consists of spruce, pine, fir, Douglas-fir, larch and western red cedar. The harvest is derived from both old growth and second growth stands. Whereas one-half of the harvest currently comes from second growth stands on the B.C. Coast, this amount is expected to increase over the next several decades. Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season closures.

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

<b>B.C. Timber Supply</b>	<b>Years ended December 31</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Allowable Annual Cut</b> <sup>(1)</sup>			
— Forest Licences	2,566	2,775	2,775
— Tree Farm Licences	840	875	875
— Discretionary Annual Harvest Levels <sup>(2)</sup>	50	50	50
Total AAC	3,456	3,700	3,700
<b>Log Production</b>			
— Coast <sup>(3)</sup>	1,064	1,296	1,308
— Interior	1,642	1,725	1,657
Total Log Production	2,706	3,021	2,965
<b>Log Purchases</b>	1,564	1,271	1,199
<b>Log Sales</b>	1,157	1,203	1,296

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

(2) Includes Timber Licence tenures.

(3) 2018 volumes include production volume of 17,000 cubic metres of third party timber sales managed by Interfor (2017 – 25,000 cubic metres, 2016 – 16,000 cubic metres).

### *Forest Health*

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

### *Indigenous Peoples*

Indigenous peoples have claimed title and rights over substantial portions of B.C. The Governments (Federal and Provincial) have been seeking to negotiate settlements with Indigenous peoples to address these claims. In addition, the Government has a duty to consult and, where appropriate, accommodate Indigenous peoples interests as this process continues.

Interfor tenures overlap with the traditional territories of over 60 different First Nations, and the Company has numerous agreements and initiatives in place to develop economic opportunities of mutual benefit. The Company is committed to working with Indigenous peoples and each relevant Indigenous group is notified prior to development activities as part of the Forest Stewardship Planning process.

## **U.S. OPERATIONS**

### **U.S. Northwest**

We own and operate four sawmill operations in the U.S. Northwest ("NW"). Three of these operations, located in Port Angeles, Washington, Longview, Washington and Molalla, Oregon, produce stud lumber for the U.S. construction market. Both the Port Angeles and Molalla sawmills produce kiln-dried stud lumber from Hemlock and Douglas-fir logs while the Longview sawmill produces green Douglas-fir stud lumber with a focus on servicing home centers. Port Angeles also produces lumber in 12 foot lengths for the U.S. market and is capable of producing metric sizes for export.

Our Gilchrist sawmill located in Gilchrist, Oregon, processes Lodgepole and Ponderosa pine logs to produce a wide range of specialty and industrial lumber products. This sawmill has an onsite cogeneration plant to produce electricity for its own use as well as steam for its dry kilns. At this location, we own and operate a short line railroad to connect to a mainline for shipment of lumber.

We also own and operate a value-added cedar remanufacturing facility in Sumas, Washington.

### **U.S. South**

We own and operate nine sawmill operations in the U.S. South. Seven of these sawmills are located in Georgia (Baxley, Eatonton, Swainsboro, Thomaston, Preston, Perry and Meldrim), one is located in Georgetown, South Carolina and another in Monticello, Arkansas. These sawmills produce southern yellow pine lumber in a range of dimensions from 2x4 through 2x12 products, with 4x4 products also produced at certain mills.

We also own and operate a value-added southern yellow pine remanufacturing facility in Perry, Georgia.

### **U.S. Timber Supply**

#### *U.S. Northwest*

Timber supply in the NW is sourced from a broad distribution of forest land ownership (forest industrial lands, small private landowners and State and Federal lands). These sources represent a long term supply base from which mills purchase their timber supply. In 2018, approximately 60% of the log supply in the NW came from land that is owned by industrial and small private landowners, while the remainder was sourced from State, Federal and tribal lands.

Our timber supply requirements at the Port Angeles sawmill are weighted almost even to western hemlock and Douglas-fir. At our Longview location, we only purchase Douglas-fir. Douglas-fir is the prominent species, with smaller volumes of western hemlock and white fir at the Molalla sawmill. All three of our western Oregon and Washington sawmills depend on private industrial landowners and small private landowners for the majority of their supply. The remainder of their supply is comprised of timber from State, Federal, and tribal lands.

At the Gilchrist sawmill, log purchases consist primarily of Lodgepole pine and Ponderosa pine that are harvested from second growth forests and the thinning of young stands from surrounding National Forests. This volume is supplemented with purchases from industrial and non-industrial private lands.

### U.S. South

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

The total 2018 log supply requirement for the mills in the U.S. was supplied from the following sources:

<b>Sources of Timber 2018</b>	<b>U.S. Northwest</b>	<b>U.S. South</b>
State, Federal and tribal lands	40%	1%
Industrial lands	46%	27%
Private lands	<u>14%</u>	<u>72%</u>
	<u>100%</u>	<u>100%</u>

### **SALES, MARKETING AND COMPETITIVE POSITION**

The global markets for the Company’s products are highly competitive and producers compete primarily on the basis of price. In addition, a majority of Interfor’s lumber production is sold into markets where competitors have the same or larger capacity and may be lower cost producers.

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

	<b>Years ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	(thousands of dollars)		
Lumber			
— U.S.A.	\$1,430,579	\$ 1,231,279	\$ 1,098,106
— Japan	102,949	130,817	123,878
— Canada	144,468	128,437	92,248
— China	62,838	81,146	59,102
— Other export	78,728	77,593	60,179
Offshore transportation and handling	21,538	30,156	24,783
	1,841,100	1,679,428	1,458,296
Logs	167,852	157,641	179,275
Wood chips and other residuals	165,855	146,452	145,608
Ocean freight, contract services and other	11,760	6,585	9,533
<b>Total sales</b>	\$2,186,567	\$1,990,106	\$1,792,712

## **Lumber Sales**

Like other commodities, the demand for lumber is cyclical. It is affected by factors such as interest rates, foreign currency exchange rates, freight rates, government tariffs and import policies, and weather.

In order to diminish the impact of rapid cyclical changes in any one market, we strategically target worldwide markets and offer a diverse range of products. Interfor also has a specific customer and product base in various countries, providing a diversified sales profile. Many of our operations are strategically located close to ports which allow us to fully realize on the opportunities that are available to us in our overseas markets.

Product and market diversification is particularly important as the variability inherent in the log resource produces a much wider spectrum of product sizes and quality. A continuing priority for our Company is to develop products and markets that more fully realize the opportunity for higher grades, special dimensions and value-added items.

Lumber sales and marketing activities are organized into two sales groups to leverage global expertise: Export and North America. Interfor Japan Ltd., with an office in Tokyo, has developed niche markets and has increased sales directly to end-users in the Japan market. We have an office in France to serve Continental Europe and Middle Eastern markets, and also an office in China to support that country's growing demand for wood.

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

In North America, we currently service our customer base from two sales locations. Our products produced by our sawmills in Canada and the U.S. Northwest are sold out of our office in Burnaby, B.C. Products produced by our sawmills in the U.S. South are sold out of our office in Peachtree City, Georgia.

## **Log Sales**

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

## **Wood Chips and Other Residuals Sales**

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

Sawmill residuals in the U.S. South are sold to a variety of customers utilizing our by-products as fundamental inputs to a product, process or service. The majority of U.S. South residual chips are sold under multi-year arrangements with our regional pulp & paper and container/fibre board manufacturers while the remainder is sold strategically through quarterly or semi-annual fibre supply agreements. Other markets for our sawmill bark, sawdust and shavings residuals include: mulch and garden products, biomass fibre fuel for heat and power, and growing feedstock requirements for the export wood pellet industry.

In total, one quarter of our sawmill residuals are sold in support of renewable fuel users and manufactures as well as green power producers.

## **DISTRIBUTION**

We use various modes of surface transportation to deliver our lumber products. Shipments to export markets are done by container and break-bulk vessels while shipments of lumber within North America are done by truck and rail. In 2018, break-bulk shipments were transported under contract with an independent ocean carrier and this same arrangement is in place for 2019. Chips and logs are normally delivered by tug and barge or by truck. In Gilchrist, Oregon, and in Grand Forks, B.C. we own short line railroads that connect to Class 1 railroads for shipping lumber.

## **HUMAN RESOURCES**

In B.C., we directly employ approximately 1,142 people in our logging and manufacturing operations and corporate offices. The Canadian United Steel Workers ("USW") is the certified bargaining agent for approximately 485 of these people. The agreement with the USW for the B.C. Coast has an expiry date of June 14, 2019, while the Southern Interior USW agreement expired on June 30, 2018, with negotiations ongoing. The Canadian Marine Service Guild ("CMSG") represents 18 employees, and their collective agreement expires September 30, 2019.

In the U.S., we employ approximately 2,065 employees in our sawmill and remanufacturing operations in Washington, Oregon, Georgia, Arkansas, South Carolina and in our offices located in Bellingham, Washington and Peachtree City, Georgia. The International Association of Machinists ("IAM") is the certified bargaining agent for approximately 82 of these people employed in the Longview, Washington sawmill. The IAM collective agreement expires on November 15, 2020.

## **ENVIRONMENT**

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

### *Regulatory Compliance*

Extensive provincial, state, federal or other laws and regulations apply to most aspects of our business activities. Interfor has incurred and will continue to incur, capital expenditures and operating costs to comply with environmental laws and regulations, including U.S. Maximum Achievable Control Technology ("MACT") and continuous monitoring requirements applicable to certain of our boilers. These costs have not and are not expected to have a material financial or operational effect on the Company or its competitive position.

### *Forest Management Certification*

Interfor has achieved the internationally recognized Sustainable Forestry Initiative ("SFI") forest management certification for all of our B.C. woodlands operations. Independent third party certification audits are conducted by KPMG Performance Registrar Inc.

### *Chain of Custody and Responsible Purchasing*

Interfor maintains SFI Chain-of-Custody certifications at certain mills that track logs coming from sustainably managed forests through the manufacturing process. In the US South, the mills are enrolled in the SFI Fibre Sourcing certification that promotes responsible forest practices from our log suppliers.

### *Coast Forest Conservation Initiative*

Interfor is a member of the Coast Forest Conservation Initiative (“CFCI”) – a collaborative effort of five B.C. forest product businesses committed to finding new approaches to forest conservation and management in B.C.’s Central and North Coast. CFCI collaborates with the Rainforest Solution Project (a group of environmental organizations) in a forum known as the Joint Solutions Project (“JSP”). The joint work done by JSP was a major part of the landmark Great Bear Rainforest agreement announced by the province in 2016.

### *Reforestation and Other Forestry-related Liabilities.*

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

The Company also has a legal obligation to deactivate certain roads constructed for access to timber, once that access is no longer required. Accordingly, Interfor accrues the cost of road deactivation as related timber is cut, including those expenses in the cost of current production. The estimate of future road deactivation cost is based on comprehensive plans prepared by professional foresters and engineers employed by Interfor and includes such considerations as road structure and terrain. Estimates of road deactivation liabilities are reviewed annually or more frequently if required, and can be materially impacted by unfavourable terrain, changing legislative requirements and standards, or inaccurate projections, which could result in a charge against operating earnings.

### *Continual Improvement*

Each year a formal management review of the Company’s sustainable forest management program and performance is completed as part of the process of continual improvement.

Additional information about our environmental work and third party certification is available on our website at [www.interfor.com](http://www.interfor.com) and in our sustainability report report at [www.interfor-sustainability.com](http://www.interfor-sustainability.com).

## **RESEARCH AND DEVELOPMENT**

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

## **RISK FACTORS**

Discussion of risk factors relating to the Company and its operations is included under the heading Risks and Uncertainties within Interfor’s 2018 annual Management’s Discussion and Analysis prepared as of February 7, 2019, which is incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAPITAL STRUCTURE**

The authorized share structure of the Company consists of:

- 150,000,000 Common Shares without Par Value with Special Rights and Restrictions (“Common Shares”); and
- 5,000,000 Preference Shares without Par Value with Special Rights and Restrictions (“Preference Shares”).

As at February 7, 2019, there were 67,323,715 Common Shares outstanding. There were no Preference Shares outstanding.

### **Common Shares**

Each holder of a Common Share is entitled to receive notice of and to attend and vote in person or by proxy at all meetings of the shareholders of the Company and is entitled to one vote for each such share held.

Each holder of a Common Share is entitled to receive such dividends as the directors may in their sole discretion declare from time to time. No holder of a Common Share will be entitled to any dividend other than or in excess of the dividends declared by the directors. Subject to any special rights or restrictions as to dividends attached to any Preference Shares issued and outstanding from time to time, the directors have the discretion to declare dividends on the Common Shares.

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets for the purpose of winding up its affairs, holders of the Common Shares will not receive any amount, property or asset, until the holders of the Preference Shares and any other class or series of shares entitled to receive assets of the Company in priority to the holders of the Common Shares, have first received the amount to which they are entitled. Thereafter, the holders of the Common Shares will be entitled to all remaining property and assets of the Company on a share for share basis.

### **Preference Shares**

The Preference Shares may be issued in one or more series. The directors may by resolution fix the number of Preference Shares in each series, determine the designation of the Preference Shares of each series, and attach special rights and restrictions to the Preference Shares of each series.

The Preference Shares rank in priority over the Common Shares and any other shares ranking junior to the Preference Shares with respect to the payment of dividends and the distribution of assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

The registered holders of the Preference Shares shall not be entitled as a class to receive notice of or to attend or to vote at any meeting of shareholders of the Company, except in the event of matters affecting the priority rights or any other rights or restrictions attaching to the Preference Shares.

## **MARKET FOR SECURITIES OF THE COMPANY**

The Common Shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol IFP. The following table sets out the market price range and trading volumes of the Common Shares on the TSX for the periods indicated:

<b>Toronto Stock Exchange (TSX)</b>			
<b>2018 Trading Volumes</b>			
<b>Ticker: IFP</b>			
<b>Month</b>	<b>\$ Low</b>	<b>\$ High</b>	<b>Volume</b>
January	21.21	23.61	4,529,883
February	22.32	25.84	8,619,394
March	22.46	26.50	6,449,253
April	22.04	25.66	6,095,399
May	23.41	26.56	5,763,291
June	23.32	27.27	6,671,868
July	20.16	26.06	6,865,624
August	19.68	24.10	10,989,326
September	18.67	23.20	8,041,350
October	13.82	19.44	14,046,642
November	13.64	17.98	12,657,276
December	13.26	16.07	7,992,664

## **TRANSFER AGENT**

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

## **MATERIAL CONTRACTS**

The following material contracts were entered into by the Company during or after 2018, or before 2018 but are still in effect:

1. Interfor September 2016 Amended and Restated Credit Agreement, dated for reference September 22, 2016, between the Company, each of the lenders named therein and Royal Bank of Canada in its capacity as the arranger and agent, as amended on September 15, 2017 to extend the maturity of the Company’s Canadian operating line of credit and revolving term line from May 19, 2019 to September 15, 2021.
2. Second Amended and Restated Note Purchase Agreement dated as of August 14, 2018, between the Company and the purchasers named therein, pursuant to which the Company repaid US\$45,550,000 and US\$38,200,000 of its Series A and Series B Senior Secured Notes, respectively, and issued US\$45,550,000 of Series D Senior Secured Notes bearing interest at 4.95%, and US\$38,200,000 of Series E Senior Secured Notes bearing interest at 4.82%, and requiring payments of US\$27,917,000 on each of August 14, 2027 and 2028, with the balance due on August 14, 2029. The notes currently issued under this agreement are a Series A Senior Secured Note (US\$4,450,000), a Series B Senior Secured Note (US\$11,800,000), Series C Senior Secured Notes (US\$100 million), Series D Senior Secured Notes (US\$45,550,000) and Series E Senior Secured Notes (US\$38,200,000). The senior secured notes issued under this agreement have a weighted average fixed interest rate of 4.47% and maturities from June 26, 2021 to August 14, 2029.

3. First Amendment to Amended and Restated Credit Agreement dated as of June 15, 2018, between the Company and Wells Fargo Bank, National Association, to extend the maturity of the Company's U.S. operating line of credit by two years until June 15, 2021, with no other significant changes.

All of these contracts are available on [www.sedar.com](http://www.sedar.com).

## **DIRECTORS AND OFFICERS**

### **Directors of the Company**

As of February 7, 2019, the directors of Interfor are as follows:

<b>Name and Municipality of Residence</b>	<b>Director Since</b>	<b>Positions Held and Principal Occupations during the Past 5 Years</b>	<b>From</b>	<b>To <sup>(1)</sup></b>
<b>DUNCAN K. DAVIES</b> Vancouver, BC, Canada	November 1998	President and Chief Executive Officer Interfor Corporation	2000	Present
<b>JEANE HULL</b> <sup>(2)(3)(4)</sup> Sheridan, WY, USA	May 2014	Director Epiroc AB (STO: EPI-A)	2017	Present
		Director Cloud Peak Energy Inc. (NYSE: CLD)	2016	Present
		Executive Vice President and Chief Technical Officer Peabody Energy Corporation, a private- sector coal company	2011	2015
<b>GORDON. H. MacDOUGALL</b> <sup>(3)(4)</sup> West Vancouver, BC, Canada	February 2007	Director Connor, Clark & Lunn Financial Group, an asset management company.	2014	Present
		Vice Chair Connor, Clark & Lunn Investment Management Ltd.	2006	2014
		Partner Connor, Clark & Lunn Investment Management Partnership	1986	2014
<b>J. EDDIE McMILLAN</b> <sup>(5)(6)</sup> Pensacola, FL, USA	October 2006	Independent Business Consultant	2002	Present
<b>THOMAS V. MILROY</b> <sup>(4)(5)</sup> Toronto, ON, Canada	February 2016	Director J2 Acquisition Limited (LSE: JTWO)	2017	Present
		Senior Advisor Generation Capital Limited, a private investment company	2015	Present
		Director Restaurant Brands International Inc. (TSX/NYSE: QSR, TSX: QSP)	2014	2018
		Director Tim Hortons Inc.	2013	2014
		Chief Executive Officer BMO Capital Markets	2008	2014
<b>GILLIAN PLATT</b> <sup>(4)(6)</sup> Kelowna, BC, Canada	October 2016	Director CRH plc (LSE: CRH, ISE: CRG, NYSE: CRH), an Irish based building materials group	2017	Present

		Executive Vice President and Chief Human Resources Officer Finning International Inc., a distributor of Caterpillar products and support services	2014	2016
		Principal Gillian Platt & Associates, executive advisory and coaching practice	2013	2014
<b>E. LAWRENCE SAUDER</b> <sup>(3)(6)(7)</sup> Vancouver, BC, Canada	April 1984	Director Metrie Canada Ltd. (formerly Sauder Industries Limited), a manufacturer and distributor of interior finishings	2010	Present
		Chair Metrie Canada Ltd. (formerly Sauder Industries Limited), a manufacturer and distributor of interior finishings	2010	2018
		Chief Executive Officer Metrie Canada Ltd. (formerly Sauder Industries Limited), a manufacturer and distributor of building products	2010	2014
		Director Hardwoods Distribution Inc. (TSX: HWD), a distributor of wood products	2008	Present
		Chair Hardwoods Distribution Inc. (TSX: HWD), a distributor of wood products	2008	2018
<b>CURTIS M. STEVENS</b> <sup>(3)(5)</sup> Brentwood, TN, USA	May 2018	Director Quanex Building Products Corporation (NYSE: NX)	2010	Present
		CEO and Director Louisiana-Pacific Corporation, a building material manufacturer	2012	2017
<b>DOUGLAS W.G. WHITEHEAD</b> <sup>(5)(6)</sup> West Vancouver, BC, Canada	April 2007	Director Belkorp Industries Inc.	2000	Present
		Director Kal Tire	2012	Present
		Chair and Director Finning International Inc. (TSX: FTT), a distributor of Caterpillar products and support services	2008	2019

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- (1) The directors of the Company are elected each year at the annual general meeting of the Company and hold office until the close of the next annual general meeting, or until their successors are elected or appointed.
- (2) Ms. Hull was the Executive Vice President and Chief Technical Officer of Peabody Energy Corporation ("Peabody") from April 2011 to July 31, 2015. Peabody filed for Chapter 11 bankruptcy protection on April 13, 2016 and emerged from Chapter 11 protection on April 3, 2017.
- (3) Member, Environment & Safety Committee
- (4) Member, Corporate Governance & Nominating Committee
- (5) Member, Audit Committee
- (6) Member, Management Resources & Compensation Committee
- (7) Chair of Board

## Officers of the Company

As of February 7, 2019, the officers of Interfor are as follows:

Name and Municipality of Residence	Positions Held and Principal Occupations During the Past 5 Years	From	To
<b>DUNCAN K. DAVIES</b> Vancouver, BC, Canada	President & Chief Executive Officer Interfor Corporation	2000	Present
<b>MARTIN L. JURAVSKY</b> Toronto, ON, Canada	Senior Vice President & Chief Financial Officer Interfor Corporation	2018	Present
	Senior Vice President, Corporate Development and Strategy Interfor Corporation	2014	2018
	Vice President, Corporate Development and Strategy Interfor Corporation	2013	2014
<b>IAN M. FILLINGER</b> Kamloops, BC, Canada	Senior Vice President & Chief Operating Officer Interfor Corporation	2018	Present
	Senior Vice President, Head of Operations Interfor Corporation	2015	2018
	Senior Vice President, Canadian Operations Interfor Corporation	2014	2015
	Vice President, Canadian Operations Interfor Corporation	2013	2014
<b>MARK W. STOCK</b> North Vancouver, BC, Canada	Senior Vice President, Human Resources & IT Interfor Corporation	2018	Present
	Senior Vice President, Human Resources Interfor Corporation	2014	2018
	Vice President, Human Resources Interfor Corporation	2012	2014
<b>BART BENDER</b> West Vancouver, BC, Canada	Senior Vice President, Sales & Marketing Interfor Corporation	2015	Present
	Senior Vice President, Operations Ainsworth Lumber Co.	2014	2015
	Vice President, Sales Ainsworth Lumber Co.	2012	2014
<b>XENIA KRITSOS</b> Vancouver, BC, Canada	General Counsel & Corporate Secretary Interfor Corporation	2015	Present
	General Counsel & Corporate Secretary Coalspur Mines Limited	2013	2015

As at February 7, 2019, the directors and officers of the Company as a group owned, directly or indirectly, or exercised control of or direction over 717,830 Common Shares representing approximately 1.07% of the outstanding Common Shares<sup>[1]</sup>.

<sup>[1]</sup> Based on Insider Reports filed on SEDI and holdings through the Interfor Employee Share Purchase.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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

## **LEGAL PROCEEDINGS**

We are not a party to, and our property is not the subject of, any material legal proceedings that took place in 2018, are currently underway, or which we know to be contemplated. See "Recent Developments – 2017" for a description of developments related to the softwood lumber dispute.

## **INTEREST OF EXPERTS**

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

## **AUDIT COMMITTEE INFORMATION**

The Company's Audit Committee (the "Committee") is mandated to oversee the accounting and financial reporting processes of the Company and audits of its financial statements in accordance with the Board's objectives. The Committee's functions include:

- reviewing and, if appropriate, recommending approval by the Board of the Company's annual and quarterly financial statements, management's discussion and analysis and earnings press releases;
- reviewing and approving disclosures required 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;
- reviewing the process for certification, and the certification, of the interim and annual financial statements by the Chief Executive Officer and Chief Financial Officer;
- reviewing all public disclosure containing financial results or financial information;
- reviewing matters related to internal controls over financial reporting of the Company and ensuring the Company has adequate internal controls procedures in place;
- reviewing the principal risks of the Company, other than the risks associated with the Company's compensation policies and practices, and ensuring that an effective risk management strategy is in place;
- reviewing the Company's derivatives policies and activities, including details of exposures to banks and other counterparties;
- overseeing the activities of and directly communicating with the Company's external auditor;
- satisfying itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing the adequacy of those procedures;

- establishing and periodically reviewing the policies and procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by the employees of the Company regarding questionable accounting or auditing matters;
- reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the former and present external auditor; and
- reviewing the Company's insurance programs, including the Company's directors' and officers' insurance coverage, and making recommendations for their renewal or replacement.

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

The Committee met four times in 2018, in conjunction with regularly scheduled Board meetings.

### Members' Financial Literacy, Expertise and Simultaneous Service

The Board of Directors has determined that the members of the Audit Committee during 2018 were, and all current members of the Audit Committee are, financially literate and independent as defined in *National Instrument 52-110 – Audit Committees*. The table below indicates the relevant education and experience of each member of the Audit Committee:

### Relevant Education and Experience

Director	Past Occupation
<p><b>Thomas V. Milroy</b> Chair of the Audit Committee since May 2018</p>	<p>Mr. Milroy is a director of J2 Acquisition Limited (LSE: JTWO) and has served on that board since 2017. He is also Senior Advisor to Generation Capital Limited, a private investment company. Prior to that, Mr. Milroy served on the board of Restaurant Brands International Inc. (TSX/NYSE: QSR, TSX: QSP) and one of its predecessor as Chief Executive Officer of BMO Capital Markets from 2008 to 2014, where he was responsible for all of BMO's business involving corporate, institutional and government clients globally. Mr. Milroy holds a Bachelor of Law and Master of Law from Cambridge University, an LLB from Dalhousie University, and a Bachelor of Arts from McGill University. He has also completed the Advanced Management Program at the Harvard Business School. Mr. Milroy is a member of the Law Society of Upper Canada.</p>
<p><b>Eddie McMillan</b> Member since April 2016</p>	<p>Mr. McMillan is an independent business consultant. From 1998 until his retirement in 2002, he was Executive Vice President – Wood Products Group of Willamette Industries Inc., a forest products company. Prior to 1998, Mr. McMillan held various management positions with Willamette Industries Inc. Over the years, he has served as a director of Forest Express, Inc. and has been associated with numerous industry association boards, including the American Plywood Association, National Particleboard Association, Particleboard and MDF Institute, Southern Forest Products Association, Western Wood Products Association, National Association of Lumber Wholesalers and the American Forest and Paper Association. He holds a Bachelor of Science (Accounting/Business Administration) from Louisiana Tech University.</p>
<p><b>Curtis M. Stevens</b> Member since May 2018</p>	<p>Mr. Stevens is a director of Quanex Building Products Corporation (NYSE: NX) and has served on that board since 2010. He served as the CEO and a director of Louisiana-Pacific Corporation (NYSE: LPX), a building materials manufacturer, from 2012 until his retirement in June 2017. Mr. Stevens served as Louisiana-Pacific's Chief Operating Officer and Executive Vice President (2011 to 2012), Chief Financial Officer (1997 to 2011) and Executive Vice President, Administration (2002 to 2011). Mr. Stevens served as Chair of the Forest Products Association of Canada (2015 to 2017) and as a board member of the Nashville Area Chamber of Commerce (2014 to 2017). Mr. Stevens holds a B.A. in Economics and an M.B.A. with a concentration in Finance from the University of California at Los Angeles.</p>

<p><b>Douglas W.G. Whitehead</b> Member since April 2009</p>	<p>Mr. Whitehead is a director of Belcorp Industries Inc. and Kal Tire. From 2008 to 2019 Mr. Whitehead was Board Chair and a director, and from 2000 to 2008 he was the President and Chief Executive Officer, of Finning International Inc. (TSX: FTT) (“Finning”). Prior to joining Finning, Mr. Whitehead held a number of senior executive positions with Fletcher Challenge Canada, including President and Chief Executive Officer, Senior Vice President and Chief Operating Officer and Vice President of the Crown Packaging Division. Previously, he served as director of Inmet Mining Corporation, Ballard Power Systems Inc., Terasen Inc., Fletcher Challenge Canada, Finlay Forest Industries and Timberwest Forest Limited. Mr. Whitehead holds a Bachelor of Applied Science (Engineering) from the University of British Columbia and a Master of Business Administration from the University of Western Ontario.</p>
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## **AUDIT FEES**

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

KPMG LLP, Chartered Professional Accountants, Vancouver, are the independent auditors of the Company. Fees paid or accrued to KPMG LLP for audit and other services for the years ended December 31, 2017 and 2018, were as follows:

	<b>2018</b>	<b>2017</b>
<b>Audit fees</b>		
Fees billed for professional services rendered.	\$594,600	\$555,900
<b>Audit-related fees</b>		
Audit-related fees consist principally of fees for professional services rendered with respect to audits of a defined benefit pension plan and subsidiary companies.	48,300	47,700
<b>Tax fees</b>		
Tax fees consist of fees for tax compliance services, planning and related services, personal tax (foreign and domestic) compliance and planning advice, indirect tax recovery audit contingency fees which are based on percentage of recoveries.	42,649	98,059
<b>All Other fees</b>		
Forestry certification.	65,450	68,850
<b>TOTAL</b>	<b>\$750,999</b>	<b>\$770,509</b>

## **CODE OF ETHICS**

We have adopted a code of ethics that applies to our directors, officers and employees. A copy of the code, entitled “Code of Conduct & Ethics”, can be found on our website at [www.interfor.com](http://www.interfor.com).

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, is contained in the Company’s Information Circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information about the Company is provided in the Company’s audited consolidated financial statements and Management’s Discussion and Analysis for the year ended December 31, 2018.

Copies of the documents referred to above and additional information relating to the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company's website [www.interfor.com](http://www.interfor.com) and may also be obtained upon request from:

Interfor Corporation  
General Counsel & Corporate Secretary  
3500-1055 Dunsmuir Street  
Vancouver, British Columbia  
Canada, V7X 1H7  
Telephone: 604 689 6800  
Facsimile: 604 689 6825  
E-mail: [corporatesecretary@interfor.com](mailto:corporatesecretary@interfor.com)

## Appendix "A"

**AUDIT COMMITTEE  
Terms of Reference**

**PURPOSE**

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

**COMPOSITION AND TERM OF OFFICE**

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

**DUTIES AND RESPONSIBILITIES**

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

**Financial Disclosure, Risk Management and Internal Controls**

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

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

2. 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.

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

#### **External Auditor**

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

### **Non-Audit Services**

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

### **Company Policies**

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

### **Insurance**

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

### **MEETINGS AND PROCEDURES**

1. The Audit Committee shall meet a minimum of four (4) times per year and, subject to these Terms of Reference and applicable law, otherwise establish its procedures and govern itself as the members of the Audit Committee may see fit in order to carry out and fulfill its duties and responsibilities hereunder. Extraordinary meetings of the Audit Committee may be called at the request of a member on the Audit Committee or the Chair of the Board to be held at such times and places as the person calling such meeting may determine.
2. A majority of members of the Audit Committee will constitute a quorum (provided that a quorum shall not be less than two (2) members). Decisions of the Audit Committee will be by an affirmative vote of the majority of those members of the Audit Committee voting at a meeting. In the event of an equality of votes, the Chair will not have a casting or deciding vote. The Audit Committee may also act by resolution in writing signed by all the members of the Audit Committee.
3. The Audit Committee shall appoint a Secretary who shall keep minutes or other records of its meetings and proceedings.
4. The Chair of the Audit Committee shall report to the Board at its next regular meeting the Audit Committee's deliberations and recommendations, if any, requiring the Board's approval.

**OTHER MATTERS**

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