



CONIFEX

CONIFEX TIMBER INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2021

March 7, 2022

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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, unless the context otherwise requires. Our reporting currency is the Canadian dollar. Some figures and percentages may not total exactly due to rounding. Unless otherwise expressly stated or the context otherwise requires, the information in this Annual Information Form is given as of December 31, 2021.

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

FORWARD-LOOKING STATEMENTS

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

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

Risk factors that could cause actual results to differ materially from the forward-looking information in this report are described in our annual Management's Discussion & Analysis under the heading "Risks and Uncertainties", which is available on www.conifex.com and under our profile on SEDAR at www.sedar.com.

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

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DESCRIPTION OF OUR BUSINESS

Business Overview

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

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

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

While our core focus is the operation of our sawmill and biomass power facility, we are continuously reviewing strategic opportunities around those areas that may provide us with an opportunity to increase shareholder value.

Corporate Strategy

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

Our near and mid-term business strategies seek to capitalize on our existing forestry assets to build a margin-focused lumber business to compete successfully with the best mills in North America. To this end, our strategy involves:

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

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

We continuously look at ways to add value to our existing assets, which we believe provide a strong foundation for the entry into ancillary business activities in which we have operational knowledge.

Corporate Structure

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

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

Recent Developments

In November 2021, we announced our intention to host, in collaboration with the Tsay Keh Dene First Nation, approximately 3 megawatts of digital currency mining capacity on a trial basis at our Mackenzie sawmill site. Given the site's location in a relatively cool climate, the availability of affordable and renewable power from BC Hydro, our available, unused real estate and our highly flexible and technical work force involved in our power operations, we concluded that our site was ideally suited to serve as a data center or host high-performing computing operations, such as cryptocurrency mining. This opportunity allows us to utilize our existing real estate, infrastructure and relationships, as well as the unique attributes of our power generation asset base in order to strengthen and diversify our revenues and cash flows.

We commenced our hosting services for a digital currency mining operator in December 2021 on a trial basis and we are continuing to review and evaluate this opportunity. Should the trial prove successful, we plan to host a larger data center operation, with the potential to build out our hosting business in phases, utilizing the cash flow generated from initial phases to fund the development of additional hosting capacity. Additional information on these opportunities will be provided to our shareholders as it becomes available.

Three Year History

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

Issuer Bids

In November 2020, we announced that the Toronto Stock Exchange ("**TSX**") accepted our notice of intention to implement a normal course issuer bid ("**NCIB**") for our common shares. We commenced the bid because we believed that the market price of our common shares did not reflect the value of our underlying business and future prospects. Therefore, we considered an allocation of capital to repurchase some of our common shares an attractive option.

Pursuant to the NCIB, we were authorized to make purchases for a period of one year, of up to a maximum of 2,944,320 of our common shares, representing 10% of our "public float" at the commencement of the bid. The NCIB terminated in September 2021, as we completed the purchase of the maximum number of common shares available under the bid. We paid an average price of \$2.01 per share under the NCIB.

Having completed our NCIB that we launched in 2020, we considered alternative methods to return capital to our shareholders, and we concluded that a substantial issuer bid ("**SIB**") was the most efficient way of doing so. In November 2021, we commenced a SIB to purchase up to 4,000,000 of our common shares at a price of \$2.25 per share for a total aggregate purchase price of up to \$9 million. We completed the SIB on December 20, 2021 and purchased for cancellation 3,999,999 of our common shares for an aggregate purchase price of \$9 million.

Secured Revolving Credit Facility

In October 2020, we completed a \$10 million secured revolving credit facility with Wells Fargo Capital Finance Corporation Canada. The facility is available for a three year term and is substantially secured by the inventory, equipment and accounts receivable from our lumber operations. The facility bears interest at CDOR or LIBOR plus a margin of 3.5%. The facility contains an accordion feature to increase the limit to \$15 million, subject

to certain conditions.

Sale of US Sawmill Business

In February 2020, we completed the sale of our US sawmill business, consisting of our sawmills in El Dorado and Glenwood, Arkansas, and Cross City, Florida, to an affiliate of Resolute Forest Products Inc., for US\$172.8 million. The proceeds from the sale were used to repay in full our previous lumber segment credit facility. The balance of the proceeds were planned for working capital and general corporate purposes. The sale followed negotiations with our lenders through 2019, pursuant to which we agreed to divest certain of our assets (including our U.S. operations), and our lenders agreed to waive certain financial covenants and milestones under the credit facility and provide additional short-term liquidity.

Sale of Fort St. James Assets

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

Sale of Countervailing and Anti-Dumping Duty Refunds

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

Labour Agreement with United Steel Workers

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

Forest Resources

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

Timber Tenures

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

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

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

Timber Supply Areas

Our forestry and logging operations are located in the sparsely populated Mackenzie TSA in the northeast interior of the Province. Covering approximately 6.4 million hectares, the Mackenzie TSA is the fourth largest in the Province. The Williston Reservoir, located within the central portion of the Mackenzie TSA, is the largest reservoir in B.C. The Mackenzie TSA's land base where timber harvesting is both acceptable and economically feasible is estimated at approximately 1,200,000 hectares. Our operating areas within the Mackenzie TSA have a timber profile comprised primarily of spruce, lodgepole pine, and balsam fir. Declining dead pine harvest combined with the spruce beetle outbreak prompted a partition amendment to the AAC in the Mackenzie TSA in 2019 to re-focus harvest on dead volume in the short-term while reserving green timber for harvesting after the salvage phase comes to an end.

In November 2020, the Ministry of Forests released its data package (the "**Ministry's Data Package**") for the Mackenzie TSA. The Ministry's Data Package disclosed that approximately 60 million cubic metres of dead pine remained to be harvested in the Mackenzie TSA, and that 70 percent of the dead volume could no longer be classified as sawlog fibre. The Ministry's Data Package disclosed that the 15-year shelf-life assumption employed in 2014 was abandoned and new assumptions about shelf-life would be employed in the AAC determination presently underway. The heavy salvage log requirement mandated by the Chief Forester for British Columbia (the "**Chief Forester**") in 2019 was not adjusted to align with the updated information on the economically available timber supply in the Mackenzie TSA set out in the Ministry Data Package.

With our ongoing commitment to sustainable harvest sourcing and responsible forest management, we complied fully with the salvage harvest partition requirement during our operations, even though much of the mountain pine beetle impacted timber we harvested and processed had passed the point of being, in our view, economically viable. Doing so has adversely impacted our performance and financial results, the cumulative effect of which forced us to implement several short-term production curtailments over the past three years when lower lumber prices produced operating losses that substantially exceeded shutdown costs. We greatly appreciate the support and encouragement we received from our employees, union representatives, the community of Mackenzie, contractors, suppliers, and local First Nations as we worked together to present the Ministry of Forests our ideas on a positive path forward for the forest sector in the Mackenzie TSA. We are hopeful that the Ministry of Forests will implement positive changes in the Mackenzie TSA in order to increase competitiveness in the region.

Fibre Supply and Requirements

Our lumber manufacturing operations are dependent on the consistent supply of affordable sawlog fibre. Wood fibre is the single largest input cost and typically accounts for a majority of the cash cost of producing lumber. A number of factors affect fibre costs, including harvesting locations and delivery distances from forest to mill, weather conditions, competitive market pressures relating to harvesting and hauling contractors, stumpage fees, reforestation and regional log market influences. Our forestry group is responsible for sourcing an adequate supply of suitable logs for our Mackenzie mill at affordable prices. Based on our anticipated 2022 lumber production levels, we believe our tenures can supply our anticipated log consumption at the Mackenzie mill.

A high degree of fibre self-sufficiency reduces our exposure to uncertainties in the open market for fibre. 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 and cost of logs. Long-term management agreements with other tenure holders, including First Nations, and open market log purchases are available to us in addition to our tenured log supply. Open market log purchases for our Mackenzie mill come primarily from the following sources:

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

Trends in the availability, quality and cost of log supply are the main drivers of competitiveness and materially impact operating results, cash flow generation, financial position, and capital spending intentions. Since 2019, the competitiveness ranking of the forest sector in the Mackenzie TSA has deteriorated. The timber supply review presently underway is expected to confirm that the pine beetle salvage harvest program is largely complete and licensees in the Mackenzie TSA will soon transition harvesting to higher quality, green fibre. We believe recent developments could improve sawlog availability and timber quality, contribute to lower harvesting and manufacturing costs, and support higher grade outturns and lumber selling price realizations.

Forest Management Strategy

We are responsible for the management of forest resources under our tenures in accordance with the requirements of applicable laws. We manage 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 utilize to monitor our performance in meeting our sustainable forest management goals.

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

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

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

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

Forest Health

The mountain pine beetle ("MPB") infestation, which peaked more than 15 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 has affected the timber supply in the interior of B.C. and the B.C. government has reduced the AAC in the interior of the Province in recent years. The short and medium-term effects include a reduction in future AAC levels to below current and pre-MPB AAC levels, a diminished grade and volume of lumber recoverable from MPB-killed logs and increased unit production costs for both harvesting and sawmilling. However, as the economically viable harvest of MPB infested forest types diminishes, harvesting activities within the interior region of B.C. are transitioning to mixed forest types with higher volumes of green timber.

The southeastern portion of the Mackenzie TSA experienced an outbreak of the spruce beetle. The infestation was detected in 2014, and in October 2015 a spruce beetle outbreak was declared in the Omineca Region, which includes the Mackenzie TSA. As a result, the Ministry of Forests released guidance in which they expressed their expectation that harvest within the outbreak areas should be focused on harvesting timber stands that are under imminent threat or have a high susceptibility to beetle infestation.

The Province conducts annual aerial overview surveys to collect current forest health information. The most recently completed survey from 2020 shows a decrease in the infested area relative to the area reported in the preceding years. The Province continues to prioritize harvesting activities to reduce beetle populations, while minimizing the impact on mid-term timber supply and maintaining spruce ecosystems.

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, expected rate of growth and length of time to re-establish a forest after harvesting, silviculture treatments, timber utilization 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%.

The dominant factors influencing forest management and harvest activities in the Mackenzie TSA during the past decade have been the mountain pine beetle epidemic and the spruce beetle outbreak. In response to the mountain pine beetle epidemic, the AAC in the Mackenzie TSA was increased in 2014 by 50% from approximately 3.0 million cubic metres per year to 4.5 million cubic metres per year to facilitate expedited salvage of damaged pine. Over the past five years, the spruce beetle outbreak on the south-east side of the Williston Reservoir emerged as a major forest management issue within the Mackenzie TSA. Significant tree mortality is currently observed with spruce beetle infestation attacking live spruce trees. Declining dead pine harvest combined with the spruce beetle outbreak prompted a partition amendment to the AAC in the Mackenzie TSA in 2019 to re-focus harvest on dead volume in the short-term while reserving green timber for harvesting after the salvage phase comes to an end.

The Chief Forester launched a Timber Supply Review for the Mackenzie TSA and issued a Data Package in November 2020. Under the *Forest Act*, the Chief Forester is responsible for reviewing the timber supply for each TSA at least once every 10 years and determining an appropriate AAC. We anticipate that the current, uplifted AAC level will not be maintained and that the composition of future harvests will change because much of the pine timber inventory has declined in quality such that it is no longer generally considered useful for lumber production.

The B.C. government has recently adopted amendments to the Forest Act and the FRPA that may result in actions by the B.C. government that reallocate timber harvesting rights to First Nations and/or local communities or require the development of forest landscape plans in consultation with affected First Nations. These actions could potentially impact both the area covered by our forest licences in B.C. and the amount of timber that we are able to harvest from these licences. The B.C. government also announced its intention to defer logging in 2.6 million hectares of forests described as "old growth", subject to the approval of First Nations, which proposals have yet to be finalized or implemented. Our preliminary estimate of the impact on the AAC in the Mackenzie TSA is a reduction of approximately 6%. At this time, the specific impact to us is not determinable given ongoing negotiations with multiple stakeholders. We believe we have been proactive in developing positive and mutually respectful working relationships with the First Nations on whose territories we operate and we look forward to working with First Nations and their management of a greater portion of the forest land base in the Mackenzie TSA.

Stumpage Charges

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

Lumber Operations

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

The Mackenzie mill is located in Mackenzie, British Columbia, a community approximately 190 kilometres north of Prince George, British Columbia. The Mackenzie mill has approximately 240 million board feet of annual lumber capacity on a two-shift basis, as well as timberland operations that have 782,500 cubic metres of high-quality harvestable AAC under our Mackenzie forest licences from Crown-owned land. In 2021, the Mackenzie mill produced approximately 184.1 million board feet of finished lumber.

Products from the Mackenzie mill

Lumber

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

By-Products

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

Marketing, Sales and Distribution

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

Lumber Sales by Geographic Market (unaudited)	Year Ended December 31, 2021	Year Ended December 31, 2020
	(%)	(%)
By Revenue (net of freight)		
United States	85	81
Canada.....	8	10
Japan	6	9
Other export	1	nil
	100	100
By Shipment Volume		
United States	83	73
Canada.....	11	17
Japan	5	10
Other export	1	nil
	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 2021.

Our customers include national and regional distributors, secondary manufacturers, retail yards and home centres, which typically purchase lumber in truck, rail or container load quantities. The residential construction, repair

and remodeling industry consumes the majority of softwood lumber in North America and Japan. Demand for softwood lumber is cyclical and influenced by transportation costs, exchange rates, government tariffs and competitiveness of substitute products, as well as by factors that affect consumer confidence and drive demand for residential construction, such as the level of interest rates, disposable income, unemployment rates, perceived job security and other indicators of general economic conditions. Demand can vary from region to region within a country, and seasonal factors that determine optimal building conditions can also affect demand.

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

The following table sets forth our sales revenue by product at our Mackenzie mill and wholesale lumber shipments for the year ended December 31, 2021 and the year ended December 31, 2020:

	Year Ended December 31, 2021	Year Ended December 31, 2020⁽¹⁾
(in millions)		
Sales by Product		
Lumber - Produced by Conifex	\$ 180.2	\$ 98.4
Lumber - Wholesale	36.9	3.3
By-Product	9.9	2.3
	<u>\$ 227.0</u>	<u>\$ 104.0</u>

Note:

- (1) Excludes sales from the El Dorado, Cross City and Glenwood sawmills, 0318587 B.C. Ltd. (previously Navcor Transportation Services Inc.) and Lignum Forest Products LLP, all of which were sold in February 2020 and classified as discontinued operations in the 2019 financial year. For more information on discontinued operations, see "Description of our Business – Three Year History" above.

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

Competitive Conditions

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

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

Capital Expenditures

To date, capital improvement projects undertaken at the Mackenzie mill have been focused on improvements in finishing processes, including the installation of kilns for drying lumber and automated lumber grading systems, and projects to replace and upgrade aging equipment and projects related to safety and asset protection. In 2021, capital expenditures for our Mackenzie mill consisted primarily of infrastructure improvements to achieve higher grade yields and improved lumber flow, maintenance of business projects and the acquisition of mobile equipment.

Bioenergy Operations

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

The power plant can produce in excess of 230 GWh of electricity per year, providing a stable and diversified source of revenue as well as an assured market for a portion of the sawmill residuals produced by our Mackenzie mill. We have executed the EPA and related LDA with BC Hydro. Under the EPA, BC Hydro agreed to purchase from us approximately 200 GWh of electrical energy annually over a 20-year term for a fixed price. The application of a "time of delivery factor" to the fixed price has a seasonal effect on our quarterly revenues, with the lowest revenues from our bioenergy operations generally in the second quarter and the highest in the first and fourth quarters. Under the LDA, we must meet and supply the electricity requirements of our Mackenzie mill over the same 20-year term.

The Mackenzie power plant sold approximately 184.6 GWh hours of electricity in 2021 under the EPA with BC Hydro, which represented approximately 83% of our targeted operating rates.

Softwood Lumber Dispute

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

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

On March 28, 2019, the USDOC initiated the First Administrative Review ("AR1") of the ADD and CVD investigations for the period of review from April 28, 2017 through December 31, 2018. On February 3, 2020 the USDOC issued preliminary revised combined rates of 8.37% for 2017, and 8.21% for 2018. In November and December 2020, the USDOC published the final results of the ADD and CVD cases for AR1 and we were subject to the "all others" ADD rate of 1.57% and CVD rates of 7.26% for 2017 and 7.42% for 2018.

On March 10, 2020, the USDOC initiated the Second Administrative Review ("AR2") of the ADD and CVD investigations for the period of review January 1, 2019 through December 31, 2019. On December 2, 2021, the U.S. Department of Commerce published the final results of the ADD and CVD duty rates for AR2 and we were subject to the "all others" ADD and CVD rates of 11.59% and 6.31%, respectively for 2019. On January 10, 2022, the U.S. Department of Commerce amended the AR2 CVD rate to 6.32%.

On January 5, 2021, the USDOC announced the Third Administrative Review of ADD and CVD investigations for the period of January 1, 2020 through December 31, 2020. On January 31, 2022, the USDOC issued its preliminary revised CVD and ADD rates based on completion of its third administrative review of shipments for the year ended December 31, 2020. We are subject to the "all others" ADD and CVD rates of 4.76% and 6.88%, respectively for 2020.

Based on the final rates published by the USITC, the combined CVD and ADD rates paid as cash deposits by Conifex averaged approximately 9.38% in 2021 and 18.63% 2020. Our 2021 operating results include a CVD and ADD deposits expense based on the final AR1 and AR2 rates on softwood lumber shipments to the U.S.

The fourth administrative review, for the period of January 1, 2021 to December 31, 2021, was announced on January 3, 2022.

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

Human Resources

As at December 31, 2021, we had 287 employees, including 215 unionized employees represented by the USW. A total of 246 of our employees were employed in our lumber operations and 41 were employed in our bioenergy operations. The USW represents our unionized employees at our Mackenzie operations.

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

Environment, Health and Safety

Health and Safety

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

Our focus on safety and workplace hazard mitigation also includes continual reinforcement of workplace safety with all of our employees, participation in an industry task force committed to improving safety in the workplace and commitment of increased resources to enhance safety leadership, safety innovation and maintenance. In addition, we engage an external auditor every three years to conduct an audit of the safety programs at our Mackenzie mill as part of the Manufacturing Advisory Group audit process. Our Mackenzie power plant and fibre department each take part in the Certificate of Recognition program offered by WorkSafeBC.

Conifex was recertified by the British Columbia Forest Safety Council (the "**BCFSC**") as a "Safe Company" in 2021. We require contractors that we engage to meet the standards we establish for our own operations. Prior to entering into any contractual agreements in British Columbia, we further require that contractors register and achieve certification as a "Safe Company" with the BCFSC, and we require them to remain in good standing for the term of the agreement.

Environmental Management

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

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

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

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

Indigenous Matters

The potential existence of Indigenous 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 Indigenous peoples may possess rights in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with those rights. Such treaties cover very few areas of British Columbia.

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

Additionally, the Canadian Federal government and the Province have made commitments to review their relationships with Indigenous groups, and both the Canadian Federal government and British Columbia have adopted the United Nations Declaration on the Rights of Indigenous Peoples ("**UNDRIP**"). British Columbia also brought into force the *Declaration on the Rights of Indigenous Peoples Act*, SBC 2019, c 44 in November 2019.

Our voluntary forest certification standards include respect for Indigenous Peoples' property, tenure and use rights. This is specifically addressed in the SFI 2015 – 2019 Standards and Rules, which recognizes the principles outlined in UNDRIP. As a participant under SFI, we communicate and collaborate with local Indigenous Peoples and communities in order to better understand their traditional practices with respect to our forest management.

The B.C. government may take actions concerning its relationships with Indigenous groups under the recent amendments to the Forest Act and the FRPA and its recently announced plan to defer logging in "old growth" forest areas, and these actions may ultimately reduce the available timber supply from our British Columbia forest licences.

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

We rely on the Crown to adequately discharge obligations to Indigenous groups in order to preserve the validity of actions dealing with public rights, including the granting of Crown timber harvesting rights. The negotiation of treaties with Indigenous groups and further judgments of the courts may alleviate this uncertainty. However, because the jurisprudence and government policies respecting Indigenous title and rights and the consultation process continue to evolve, we cannot at this time predict whether Indigenous 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

A discussion of risk factors relating to our operations is included under the heading "Risks and Uncertainties" in our 2021 annual Management's Discussion and Analysis dated March 7, 2022, which is incorporated by reference herein and available on SEDAR at www.sedar.com.

DIVIDENDS

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

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

DESCRIPTION OF CAPITAL STRUCTURE

We are authorized to issue an unlimited number of common shares without par value and an unlimited number of Class B preferred shares (the "**Preferred Shares**"), of which 40,149,111 common shares and no Preferred Shares are issued and outstanding as of the date of this Annual Information Form. We also have a total of 1,195,122 common share purchase warrants outstanding (the "**Warrants**").

Common Shares

Our common shares entitle their holders to: (a) receive notice of and attend any meetings of our shareholders and are entitled to one vote for each common share held, except at meetings at which only holders of a specified class are entitled to vote; (b) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the rights of the holders of Preferred Shares, any dividend declared by us; and (c) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, including without limitation the holders of Preferred Shares, our remaining property and assets upon dissolution. Subject to the provisions of the CBCA, we may, by special resolution, fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of our common shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends, the method of calculating dividends, the dates of payment of dividends, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

Preferred Shares

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

Warrants

The Warrants were created and issued pursuant to our 2018 acquisition of our former Cross City and Glenwood sawmills in the United States. Each whole warrant is exercisable for one common share at any time up to July 9, 2023, subject to a one year extension in certain circumstances, at an exercise price of \$8.78 per common share. The Warrants do not have voting or any other rights of our common shares.

BY-LAW AMENDMENTS

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

MARKET FOR SECURITIES

Trading Price and Volume

Our common shares are listed on the Toronto Stock Exchange ("**TSX**") under the stock symbol "CFF". The following table provides the monthly high and low sales price and trading volume of our common shares on the TSX for our fiscal year ended December 31, 2021:

	Trading Summary		
	High (\$)	Low (\$)	Volume Traded (#)
2021			
January	1.53	1.38	1,255,499
February	2.00	1.43	1,565,602
March	2.00	1.63	1,399,054
April	2.83	1.96	3,140,191
May	2.85	2.12	3,435,608
June	2.48	1.99	1,813,188
July	2.18	1.55	670,170
August	1.94	1.61	1,300,052
September	1.98	1.66	510,357
October	1.99	1.66	545,560
November	2.15	1.74	577,986
December	2.10	1.95	550,659

Prior Sales

The following table summarizes the issuances of our securities, other than our common shares, in the 2021 fiscal year:

Date	Price per Security ⁽¹⁾	Number of Securities	Type of Security
June 1, 2021.....	\$ 2.44	45,000	RSU ⁽²⁾
June 22, 2021.....	\$ 2.19	815,000	RSU ⁽²⁾

Notes:

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

(2) "RSU" means restricted share unit awards issued under our amended and restated long-term incentive plan dated June 22, 2020.

DIRECTORS AND EXECUTIVE OFFICERS

Our Board consists of five 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 2022. The following table sets forth, as at the date hereof,

the name, province or state and country of residence and position(s) held for each of our directors and executive officers, as well as the date of election of each of our directors:

Name and Province or State and Country of Residence	Current Position(s)	Director Since
Kenneth A. Shields ⁽¹⁾ British Columbia, Canada	Chairman, Chief Executive Officer, President and Director	June 3, 2010
David E. Roberts ⁽²⁾⁽³⁾ Ontario, Canada	Director	May 27, 2010
Michael Costello ⁽¹⁾ British Columbia, Canada	Director	April 18, 2012
Janine North ⁽¹⁾⁽²⁾⁽³⁾ British Columbia, Canada	Director	February 14, 2017
Charles P. Miller ⁽²⁾⁽³⁾ Texas, United States of America	Director	July 9, 2018
Winnie Tang ⁽⁴⁾ British Columbia, Canada	Chief Financial Officer and Corporate Secretary	N/A

Notes:

- (1) A member of the Environmental, Health and Safety Committee, which is comprised of Michael Costello (Chair), Kenneth Shields and Janine North.
- (2) A member of the Audit Committee, which is comprised of Janine North (Chair), David Roberts and Charles P. Miller.
- (3) A member of the Corporate Governance and Human Resources Committee, which is comprised of David Roberts (Chair), Janine North and Charles P. Miller.
- (4) Ms. Tang was appointed as our Chief Financial Officer and Corporate Secretary effective March 16, 2021.

Our directors and executive officers, as a group, currently beneficially own, directly or indirectly, or exercise control or direction over 1,744,474 (approximately 4.34%) of our outstanding common shares.

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

Kenneth A. Shields, age 73, Chairman, Chief Executive Officer, President and Director. Mr. Shields currently serves as a director of the British Columbia Lumber Trade Council and the Council of Forest Industries. Mr. Shields previously served as Chair of the Canadian BioEnergy Association and director of the Forest Products Association of Canada, Bioindustrial Innovation Canada the Investment Dealers' Association of Canada, Raymond James Financial Inc., Mercer International Inc., TimberWest Forest Corp. and Slocan Forest Products Ltd. Mr. Shields resigned as Chief Executive Officer of Raymond James Ltd. in 2006 to devote his efforts to launching Conifex Timber Inc.

David E. Roberts, age 80, Director. Mr. Roberts retired in 2004 from Raymond James Ltd. where he headed its institutional equity business based in Toronto, Ontario.

Michael Costello, age 71, Director. Mr. Costello has held a number of executive and board positions during his career. Mr. Costello has served as President and Chief Executive Officer of the British Columbia Transmission Corporation, President and Chief Executive Officer of British Columbia Hydro and Power Authority and Deputy Minister of Finance and Secretary to the Treasury Board for the Government of British Columbia and the Government of Saskatchewan. Mr. Costello previously served as Chair of the Canadian Electricity Association, Chair of the Energy Council of Canada and director of the Vancouver Island Health Authority, the Ontario Power Authority and In Transit BC.

Janine North, age 61, Director. Ms. North currently serves as a director of Imperial Metals Corporation. Mercer International Inc., the Fraser Basin Council and British Columbia Ferry Services Inc. Ms North is a former director of British Columbia Hydro and Power Authority and Maple Gold Mines Ltd. She also served as a director of numerous non-profit organizations. Ms. North retired from Northern Development Initiative Trust in 2016 after serving 11 years as the founding Chief Executive Officer.

Charles P. Miller, age 60 Director. Mr. Miller has served as a Partner of Blue Wolf Capital Partners LLC ("Blue Wolf") since 2010 and serves on the boards of Blue Wolf portfolio companies Pharmaceutical Strategies Group

LLC, Novo Building Products, The Mulch and Soil Company LLC and Petrosmith, LLC. Prior to joining Blue Wolf Capital Partners LLC, Mr. Miller was a partner at Patton Boggs LLP, where he served as firm-wide Deputy Managing Partner and Managing Partner of the firm's Dallas, Texas office. Mr. Miller has also served as a director of numerous for profit and non-profit organizations.

Winnie Tang, age 43, Chief Financial Officer and Corporate Secretary. Ms. Tang has over 15 years of experience in a number of corporate finance, financial reporting and analysis, and taxation roles. Ms. Tang's previous roles included acting as our financial controller and providing audit, assurance and taxation services with KPMG LLP. Ms. Tang is a Chartered Professional Accountant, earning her Certified General Accountant designation in 2006 and her Chartered Accountant designation in 2009.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

- is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including our Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;
- has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Our directors and officers may be subject to potential conflicts of interest in connection with our operations. In particular, certain of our directors and officers are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct or indirect competition with our operations or with entities which may, from time to time, provide financing to, or make equity investments in, our competitors. See the section of this Annual Information Form titled "*Directors and Executive Officers*". In accordance with the CBCA, any director who has a material interest or any person who is a party to a material contract or a proposed material contract with us

is required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, our directors are required to act honestly and in good faith with a view to the best interests of our Company. Certain of our directors and officers have either other employment or other business or time restrictions placed on them, and, accordingly, these directors and officers will only be able to devote part of their time to our affairs.

AUDIT COMMITTEE DISCLOSURE

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

Audit Committee Charter

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

Composition of the Audit Committee

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

Relevant Experience

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

Janine North. Ms. North currently serves as a director of Imperial Metals Corporation, Mercer International Inc., the Fraser Basin Council and British Columbia Ferry Services Inc. Ms. North is a former director of British Columbia Hydro and Power Authority and Maple Gold Mines Ltd. She has also served as a director of numerous non-profit organizations. Ms. North retired from the Northern Development Initiative Trust in 2016 after serving 11 years as the founding Chief Executive Officer.

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.

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

Pre-Approval Policies and Procedures

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

Audit Committee Oversight

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

Audit, Tax and Other Fees

Fees paid or accrued to our external auditor for audit and other services for the years ended December 31, 2021 and December 31, 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Audit fees ⁽¹⁾	\$ 155,567	\$ 220,146
Audit-related fees ⁽²⁾	57,392	80,139
Tax fees ⁽³⁾	126,099	215,494
Other fees ⁽⁴⁾	112,350	126,787
	<u>\$ 451,408</u>	<u>\$ 642,567</u>

Notes:

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

REGISTRAR AND TRANSFER AGENT

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, executive officers, any shareholder who, to the best of our knowledge, beneficially owns, directly or indirectly, more than 10% of our outstanding common shares or any known associate or affiliate of any such persons, in any transaction since incorporation or in any proposed transaction which has materially affected or will materially affect our Company.

MATERIAL CONTRACTS

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

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

1. EPA dated June 10, 2011, as amended, between BC Hydro and us. For additional information, see "*Description of Our Business – Bioenergy Operations*";

2. LDA dated June 10, 2011 between BC Hydro and us. For additional information, see "*Description of Our Business – Bioenergy Operations*"; and
3. Credit Agreement dated October 30, 2018 between Fiera Infrastructure Private Debt Fund LP et al. and us. For additional information, see "*Description of Our Business – Three Year History – Financings - \$70 Million Secured Term Loan*".
4. Credit Agreement dated October 13, 2020 between Wells Fargo Capital Finance Corporation Canada and us. For additional information, see "*Description of Our Business—Three Year History—Financings — Secured Revolving Credit Facility*".

INTERESTS OF EXPERTS

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

ADDITIONAL INFORMATION

Additional information regarding us, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our information circular dated May 14, 2021 in respect of our annual and special meeting of shareholders held on June 22, 2021, 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, 2021, which is available on SEDAR at www.sedar.com.

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

SCHEDULE "A"

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

OF

CONIFEX TIMBER INC.

1. PURPOSE

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

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

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

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

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall have the following authority and responsibilities:

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

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

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

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

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

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

2. ACCOUNTABILITY

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

INDICATIVE SCHEDULE FOR AUDIT COMMITTEE MATTERS

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

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