



Interfor Corporation

ANNUAL INFORMATION FORM

Prepared as of February 11, 2016

FORWARD LOOKING INFORMATION

This report contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "will", "is expected", "forecast", "target" and similar expressions. Such statements involve known and unknown risks and uncertainties that may cause Interfor's actual results to be materially different from those expressed or implied by those forward-looking statements. Such risks and uncertainties include, among others: price volatility; competition; availability and cost of log supply; natural or man-made disasters; foreign currency exchange fluctuations; changes in government regulation; export and other trade barriers; environmental and community matters; labour disruptions; and other factors referenced herein and in Interfor's 2015 annual Management's Discussion & Analysis under "Risk and Uncertainties", which is available on www.sedar.com. The forward-looking information and statements contained in this report are based on management's current expectations and beliefs and are based on certain assumptions, including assumptions as to general business and economic conditions in the U.S., Canada, Japan and China, as well as other factors management believes are appropriate in the circumstances. Readers are cautioned not to place undue reliance on forward-looking information or statements. Interfor undertakes no obligation to update such forward-looking information or statements, 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 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.

In this document, a reference to the "Company", "Interfor", "we" or "our" means Interfor Corporation, its predecessors and its subsidiaries.

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 Sales & Marketing Ltd. (incorporated in British Columbia), Interfor Japan Ltd. (incorporated in British Columbia), Interfor Insurance Corporation (incorporated in Barbados), and Seaboard Shipping Company Limited (incorporated in British Columbia).

RECENT DEVELOPMENTS

2013

Increased North American demand as U.S. housing markets continued to improve, coupled with price tension created by off-shore markets resulted in higher sales realizations and higher operating rates in 2013.

On March 1, 2013, Interfor concluded the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S.A. for US\$84.4 million, adding three sawmills (Baxley, Eatonton and Swainsboro) and a combined 360 million board feet to its annual lumber capacity and broadening its product mix to include Southern Yellow Pine ("SYP"). We have filed a Business Acquisition Report on SEDAR with respect to this acquisition.

On May 1, 2013, the Company acquired two timber tenures in the Kootenay Region of B.C. from Springer Creek Management Ltd. The tenures have a combined allowable annual cut ("AAC") of approximately 174,000 cubic metres and will support increased production levels at the Castlegar sawmill.

On July 1, 2013, the Company added a fourth sawmill (Thomaston) in Georgia for US\$39.1 million, of which US\$32.1 million was paid on closing. Payment of US\$7.0 million was contingent upon receipt of an upgrade to the air permit which would allow the Company to operate a second shift. This permit was received in 2014 and the payment was made in February, 2015.

On September 30, 2013, the Company closed a public offering of 7,187,500 Common Shares at a price of \$12.00 per share for gross proceeds of \$86.3 million, with proceeds used to complete capital upgrades and reduce debt.

2014

On March 14, 2014, Interfor acquired all of the outstanding common shares of Tolleson Ilim Lumber Company from Ilim Timber Continental, S.A. for total consideration of \$188.5 million, comprising \$126.9 million in cash and 3,680,000 Common Shares valued at \$61.6 million. This acquisition added two sawmills located in Perry and Preston, Georgia, and a remanufacturing facility in Perry, Georgia. We have filed a Business Acquisition Report on SEDAR with respect to this acquisition.

On June 27, 2014, the Company announced a curtailment of its Beaver-Forks operation on the Olympic Peninsula in Washington State. Following a comprehensive strategic review, permanent closure of the operation and consolidation of production at Interfor's Port Angeles facility was announced on July 31, 2014.

On November 6, 2014, Interfor announced a \$50 million capital project to upgrade its sawmill in Castlegar, B.C to convert the Castlegar mill to a two line operation with state-of-the-art technology and optimization. The project was substantially completed in 2015 with full operating performance targeted for the first quarter, 2016.

On December 17, 2014, the Company completed a US\$50 million term debt financing with Prudential Capital Group. The senior secured notes carry an annual interest rate of 4.02% and have a final maturity of June 26, 2023.

On December 18, 2014, Interfor signed an agreement to acquire four sawmills from Simpson Lumber Company, LLC, for consideration of US\$94.7 million, plus working capital and contingent future consideration.

2015

On January 27, 2015, Interfor closed a bought deal public offering of subscription receipts (the "Subscription Receipts") through a syndicate of underwriters. The Company issued an aggregate of 3,300,000 Subscription Receipts at a price of \$20.10 per Subscription Receipt, for aggregate gross proceeds of \$66.3 million (the "Offering"). Each Subscription Receipt entitled the holder thereof, for no additional consideration and without further action, to one Common Share upon closing of the acquisition of four sawmills and associated working capital from Simpson Lumber Company, LLC ("Simpson"). Net proceeds of the Offering were used to partially fund this acquisition.

On March 1, 2015, Interfor completed its acquisition of four sawmills and associated working capital from Simpson. The sawmills are located in Tacoma, Washington; Longview, Washington; Meldrim, Georgia and Georgetown, South Carolina and fit within the Company's existing operating infrastructure.

On March 16, 2015, the Company completed a US\$100 million term debt financing of Senior Secured Notes with Prudential Capital Group. The Senior Secured Notes carry an annual interest rate of 4.17% and have a final maturity of March 26, 2026. The proceeds were used to reduce the drawings under the Company's Revolving Term Line. In conjunction with this financing, Interfor decreased the credit available under its Revolving Term Line from \$250 million to \$200 million, without change to other terms and conditions.

On April 27, 2015, Interfor extended the maturity date of its U.S. Operating Line from April 28, 2015, to May 1, 2017, and increased the credit available under that line from US\$30 million to US\$50 million to provide enhanced financial flexibility. All other terms and conditions remain substantially unchanged.

On May 22, 2015, Interfor curtailed operations at its Tacoma sawmill as a result of challenging lumber and log market conditions. Following a comprehensive strategic review, the Company announced its decision on July 30, 2015, to exit the mill. The Tacoma sawmill accounted for 47 million board feet of production in 2015 since acquisition.

On June 19, 2015, Interfor closed its acquisition of a sawmill and associated working capital in Monticello, Arkansas, from Price Lumber Company. This acquisition increased Interfor's U.S. South capacity to 1.3 billion board feet and raised the proportion of Interfor's total capacity in the U.S. South to more than 40%.

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 customers' lumber requirements.

In addition to improving our manufacturing capability through upgrades, we have increased our efficiency and geographic diversity and expanded our current capacity through the addition of four sawmills in Georgia, South Carolina, Washington and Arkansas, respectively, during 2015.

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

| Sawmills | Present Rated Capacity (1) | Production for years ended December 31, | | |
|--|-------------------------------------|---|--------------|--------------|
| | | 2015 | 2014 | 2013 |
| (millions of board feet) | | | | |
| B.C. Coast ⁽²⁾ | 320 | 164 | 198 | 182 |
| B.C. Interior | 735 | 620 | 744 | 699 |
| U.S. Northwest ^(3,4) | 625 | 655 | 539 | 569 |
| U.S. Southeast ⁽⁵⁾ | 1,320 | 1,058 | 741 | 275 |
| Total | 3,000 | 2,497 | 2,222 | 1,725 |

(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 Hammond management amounting to 11 million board feet in 2014.

(3) The Beaver and Tacoma sawmills were curtailed on June 27, 2014 and May 22, 2015, respectively.

(4) The Longview and Tacoma sawmills were acquired on March 1, 2015. The Tacoma mill was permanently curtailed in August, 2015 and is not included in rated capacity. Volumes reported are Interfor only.

(5) The Baxley, Eatonton and Swainsboro sawmills were acquired March 1, 2013. The Thomaston sawmill was acquired on July 1, 2013. The Perry and Preston sawmills were acquired March 14, 2014. The Meldrim and Georgetown sawmills were acquired on March 1, 2015. The Monticello sawmill was acquired on June 19, 2015. Volumes reported are Interfor only.

CANADIAN OPERATIONS

B.C. Coast

Hammond

The Hammond operation is located on the Fraser River in Maple Ridge, B.C. The facility is focused on western red cedar and supplies siding, decking, fascia and timbers for both offshore and North American markets. The facility consists of a three-line sawmill, a planer mill and dry kilns.

Acorn

The Acorn operation is located on leased land in Delta, B.C. The facility consists of a log dewatering and merchandizing system, a sawmill, a planer mill and dry kilns. The 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

Adams Lake

The Adams Lake operation is located near Kamloops, B.C. The mill manufactures kiln-dried lumber for the U.S. and Canadian construction markets as well as for offshore markets. Adams Lake has the capability to cut Douglas-fir as well as spruce-pine-fir ("SPF"), western red cedar and hemlock.

The sawmill was rebuilt in 2008 to match the current and future timber resource in the area and incorporated proven technology that has materially improved the operating efficiency and cost structure of the Adams Lake operation.

Castlegar

Our Castlegar operation, located in the southern interior of B.C., includes a sawmill, dry kilns, a planer and transportation system for transporting logs on Arrow Lake. It has timber tenures with an AAC of 624,000 cubic metres and manufactures fir-larch, SPF, cedar and hemlock dimension lumber.

In 2015 Interfor rebuilt the sawmill, installing state-of-the-art technology and increasing capacity to 210 million board feet. Construction was substantially completed in October, 2015, with the ramp up to full capacity expected by the end of the first quarter of 2016.

Grand Forks

Our Grand Forks sawmill is located in the southern interior of B.C. and manufactures kiln dried lumber for the U.S. and Canadian construction markets as well as the housing market in Japan. It has timber tenures with an AAC of 514,000 cubic metres. The sawmill cuts approximately 70% SPF and 30% fir-larch.

B.C. Timber Supply

In the Province of British Columbia (the "Crown") owns about 95% of the timberlands from which the majority of our timber is harvested. The remaining 5% of timberland is private land which is primarily located on Vancouver Island and held by a few large industrial forest landowners.

Forest and timber harvesting operations on Crown land in B.C. are regulated under the B.C. Government's *Forest and Range Practices Act (British Columbia)* and the *Forest Act (British Columbia)*. The Government is responsible for setting the AAC, approving forest development 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 to cover general administration and fire preparedness obligations and stumpage fees payable to the Crown.

Our Company 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 ("TL") tenures that currently provide for an AAC of approximately of 3.7 million cubic meters. The majority of Interfor's tenures are long-term (15 and 25 year) renewable agreements that are generally replaced every five 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 require 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 cedar. The harvest is derived from both old growth and second growth stands. Whereas one-third of the harvest currently comes from second growth stands on the B.C. Coast, this amount is expected to increase significantly 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.C. Timber Supply | Years ended December 31, | | | |
|--|---------------------------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 |
| | (thousands of cubic metres) | | | |
| Allowable Annual Cut ⁽¹⁾ | | | | |
| — Forest Licences | 2,775 | 2,775 | 2,775 | 2,684 |
| — Tree Farm Licences | 875 | 875 | 875 | 801 |
| — Non Replaceable Forest Licences | - | 220 | 220 | 286 |
| — Discretionary Annual Harvest Levels | 50 | 80 | 40 | 40 |
| Total AAC | 3,700 | 3,950 | 3,910 | 3,811 |
| Log Production | | | | |
| — Coast ⁽²⁾ | | 1,331 | 1,523 | 1,639 |
| — Interior | | 1,708 | 1,517 | 1,959 |
| Total Log Production | | 3,039 | 3,040 | 3,598 |
| Log Purchases | | 1,112 | 1,395 | 1,131 |
| Log Sales | | 1,453 | 1,440 | 1,339 |

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

(2) 2015 volumes include production volume of 30,000 cubic metres of third party timber sales managed by Interfor (2014 – 48,000 cubic metres, 2013 - 25,000 cubic metres).

U.S. OPERATIONS

U.S. Northwest

Gilchrist

The Gilchrist sawmill is located in Gilchrist, Oregon. The sawmill processes lodgepole and ponderosa pine to produce a wide range of specialty and industrial lumber products. The sawmill has an on-site 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 and chips.

Molalla

The Molalla sawmill is located in Molalla, Oregon, approximately 50 kilometres southeast of Portland. The sawmill processes primarily hemlock and Douglas-fir logs to produce stud lumber for the U.S. market.

Port Angeles

The Port Angeles sawmill is located in Port Angeles, Washington, near a major highway and waterways which are convenient for shipping lumber and chips as well as for receiving logs. The sawmill primarily processes hemlock and Douglas-fir logs to produce stud and dimension lumber for the U.S. market but is also capable of producing metric sizes for export.

Longview

The Longview sawmill is located in Longview, Washington, in close proximity to industrial timberlands and large scale pulp and paper operations. This sawmill was acquired on March 1, 2015 from Simpson Lumber Company. The sawmill processes Douglas-fir logs to produce green stud lumber for the U.S. market with primary focus on servicing home centers.

U.S. Southeast

Baxley

This sawmill in Baxley, Georgia was acquired on March 1, 2013 from Rayonier Inc. It operates on a two shift basis and produces southern yellow pine lumber primarily in 2x4 through 2x12 products.

Eatonton

This sawmill in Eatonton, Georgia was acquired on March 1, 2013 from Rayonier Inc. It operates on an extended one shift basis and produces southern yellow pine lumber primarily in 2x4 and 2x6 products.

Swainsboro

This sawmill in Swainsboro, Georgia was acquired on March 1, 2013 from Rayonier Inc. It operates on a two shift basis and produces southern yellow pine lumber primarily in 2x4 and 2x6 products.

Thomaston

This sawmill in Thomaston, Georgia was acquired on July 1, 2013 from Keadle Lumber Enterprises, Inc. The mill operates one shift and produces 2x4 through 2x12 southern yellow pine dimension products.

Preston

This sawmill in Preston, Georgia was acquired on March 14, 2014 from Ilim Timber Continental, S.A. The mill operates two shifts and produces 2x4 through 2x12 southern yellow pine dimension products.

Perry

This sawmill in Perry, Georgia was acquired on March 17, 2014 from Ilim Timber Continental, S.A. The mill operates an extended single shift and produces 2x4 through 2x12 southern yellow pine dimension products.

Meldrim

This sawmill in Meldrim, Georgia was acquired on March 1, 2015 from Simpson Lumber Company. It operates one shift and produces 2x4 through 2x12 southern yellow pine dimension products.

Georgetown

This sawmill in Georgetown, South Carolina was acquired on March 1, 2015 from Simpson Lumber Company. It operates one shift and produces 2x4 through 2x10 and 4x4 southern yellow pine dimension products.

Monticello

This sawmill in Monticello, Arkansas was acquired on June 19, 2015 from Price Lumber Company. It operates two shifts and produces 2x4, 2x6 and 4x4 southern yellow pine dimension products.

U.S. Timber Supply*U.S. Northwest*

Timber supply in the U.S. Northwest ("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 2015, approximately 51% 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 to western hemlock with lesser volumes of 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. Southeast

Timber in the U.S. Southeast ("SE") 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 Georgia purchase timber comprised exclusively of southern yellow pine, originating from each of these sources.

The total 2016 log supply requirement for the mills in the U.S. is estimated to be supplied from the following sources:

| Expected Sources of Timber 2016 | U.S. Northwest | U.S. Southeast |
|--|---------------------------|---------------------------|
| State, Federal and tribal lands | 42% | 1% |
| Industrial lands | 48% | 20% |
| Private lands | <u>10%</u> | <u>79%</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:

| | Years ended December 31, | | |
|---|---------------------------------|-------------------------|-------------------------|
| | 2015 | 2014 | 2013 |
| | (thousands of dollars) | | |
| Lumber | | | |
| — U.S.A. | \$ 996,683 | \$ 770,153 | \$ 498,524 |
| — Japan | 124,252 | 107,561 | 105,590 |
| — Canada | 94,483 | 103,599 | 90,470 |
| — China | 66,581 | 109,205 | 105,703 |
| — Other export | 47,104 | 46,812 | 38,675 |
| Offshore transportation and handling | 32,089 | 39,928 | 33,302 |
| | <hr/> 1,361,192 | <hr/> 1,177,258 | <hr/> 872,264 |
| Logs | 174,090 | 144,770 | 136,633 |
| Wood chips and other residuals | 141,717 | 105,506 | 72,418 |
| Ocean freight, contract services and other | 10,376 | 19,623 | 23,907 |
| Total sales | <hr/> <hr/> \$1,687,375 | <hr/> <hr/> \$1,447,157 | <hr/> <hr/> \$1,105,222 |

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 demand for housing.

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, and we are aggressively targeting China's rapidly growing wood frame construction market.

Product and market diversification is particularly important for B.C. Coastal producers where the variability inherent in the log resource produces a much wider spectrum of product sizes and quality than is the case in the B.C. Interior, the U.S. Northwest or the U.S. Southeast. A continuing priority for our Company is to develop products and markets that more fully realize the potential 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. We also have an office in France to serve Continental Europe and Middle East markets and an office in China to support the growing demand for wood in that market.

The primary market for our cedar lumber 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.

North American dimension and stud lumber produced in Canada and the U.S. Northwest is sold out of our office in Bellingham, Washington to leverage our market expertise and to

provide a more diverse customer base for the Canadian mills in terms of geographic and market sectors.

SYP lumber produced in U.S. Southeast mills is sold out of our office in Peachtree City, Georgia to leverage our regional knowledge of SYP market segments and distribution channels.

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

As a by-product of lumber production, our sawmills produce wood chips and other residuals. Essentially all of our wood chips produced in B.C. are sold under short-term 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. Southeast operations are sold to pulp producers or fibre board manufacturers under short-term arrangements, with the exception of the Baxley, Gilchrist, Longview and Port Angeles sawmills which each have a long-term contract with a pulp producer.

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 2015, break-bulk shipments were transported under contract with an independent ocean carrier and this arrangement is in place for 2016. 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 and chips.

HUMAN RESOURCES

In B.C., we directly employ approximately 1,162 people in our logging and manufacturing operations and corporate offices. The Canadian United Steel Workers ("USW") is the certified bargaining agent for approximately 556 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 expires on June 30, 2018. The Canadian Marine Service Guild ("CMSG") represents 22 employees, and their collective agreement expires September 30, 2019. Negotiations with the CMSG regarding renewal of the expired agreement are in process, with employees continuing to work under the terms of the expired agreement with no workplace disruptions.

In the U.S., we employ approximately 1,694 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 American USW is the certified bargaining agent for approximately 36 of these people employed in the Meldrim, Georgia sawmill. The International Association of Machinists ("IAM") is the certified bargaining agent for approximately 92 of these people employed in the Longview, Washington sawmill.

The American USW collective agreement expires on June 30, 2016, while the IAM collective agreement expires on November 15, 2016.

THE 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

Interfor operates in compliance with extensive provincial, state, federal or other laws and regulations that apply to most aspects of our business activities.

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 Chain-of-Custody (“CoC”) certifications at certain mills and fibre sourcing procedures that track logs coming from sustainably managed forests through the manufacturing process.

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 namely Forest Ethics, Greenpeace and the Sierra Club, B.C. Chapter) in a forum known as the Joint Solutions Project (“JSP”). JSP works with the B.C. Government and First Nations on strategic items related to the implementation of ecosystem based management (“EBM”). The joint work done by JSP is a major step towards fulfilling the landmark Great Bear Rainforest agreement.

First Nations

First Nations (“FN”) groups have claimed Aboriginal title and rights over substantial portions of British Columbia. Interfor tenures overlap with the traditional territories of over 60 different FN groups. The Company’s operations in B.C. account for approximately 30% of its total lumber production.

Interfor has a number of agreements and initiatives with FN in B.C., and as such, remains committed to working with FN to develop economic opportunities of mutual benefit. Each FN group is notified prior to development activities as part of the Forest Stewardship Planning process.

On June 26, 2014 the Supreme Court of Canada (“SCC”) released its ruling on the Tsilhqot’in vs. British Columbia. To the extent that this defines for the first time the criteria upon which Aboriginal title rests is a positive development. It is also an important motivation for the federal and provincial governments to move forward on the reconciliation and treaty process in British Columbia.

The SCC ruling applies to two percent of the Tsilhqot’in traditional territory in a remote area of Central B.C. – far removed from Interfor’s operations. To date, Aboriginal title has not been established in any of Interfor’s tenures; and doing so will likely be a lengthy and complex process. The Company will continue to manage its operations within the existing legal framework while paying close attention to the direction provided by the Province of B.C. and First Nations regarding the application of this ruling.

Mountain Pine Beetle

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 impacts of the MPB are not expected to have a significant impact on the Company’s operating areas.

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 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.

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 also 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 Management’s Discussion and Analysis prepared as of February 11, 2016, which is incorporated by reference herein and available on SEDAR at 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 11, 2016 there were 70,030,455 Common Shares outstanding. There were no Preference Shares outstanding.

The following is a summary of the material provisions of the authorized share capital of the Company.

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. The directors have the discretion to declare dividends on the Common Shares independently of declaring dividends on any other classes of shares in the Company, and *vice versa*.

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:

| Toronto Stock Exchange (TSX) 2015 Trading Volumes Ticker: IFP | | | |
|--|---------------|----------------|---------------|
| Month | \$ Low | \$ High | Volume |
| January | 18.33 | 22.33 | 7,764,215 |
| February | 20.20 | 23.61 | 6,065,058 |
| March | 16.80 | 20.87 | 7,673,158 |
| April | 16.65 | 18.93 | 6,238,000 |
| May | 16.46 | 20.70 | 5,570,779 |
| June | 19.24 | 21.09 | 4,314,696 |
| July | 15.87 | 21.65 | 8,241,729 |
| August | 11.42 | 17.53 | 10,235,821 |
| September | 9.27 | 12.79 | 7,726,321 |
| October | 8.86 | 13.45 | 11,220,511 |
| November | 11.34 | 14.22 | 8,346,797 |
| December | 12.19 | 14.87 | 5,788,411 |

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

| Designation of class | Number of securities that are subject to a contractual restriction on transfer | Percentage of class |
|-----------------------------|---|----------------------------|
| Common Shares | 3.68 million ¹ | 5.3% |

Note 1: Ilim Timber Continental, S.A. (“Ilim”) may not sell or otherwise transfer its Common Shares (other than a pledge to an acceptable third party lender) without the prior written consent of Interfor, until one year following the date that the Ilim board designee ceases to be a director of Interfor.

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 2015, or before 2015 but are still in effect:

1. Underwriting Agreement dated January 13, 2015, between the Company and a syndicate of underwriters, led by RBC Dominion Securities Inc. and Raymond James Ltd., to sell 3,000,000 subscription receipts (“Subscription Receipts”) at a price of \$20.10 each for aggregate gross proceeds of \$60,300,000. Interfor also granted the underwriters an over-allotment option to purchase up to an additional 300,000 subscription receipts at the issue price.

2. Subscription Receipt Agreement dated January 27, 2015, between the Company, RBC Dominion Securities Inc., Raymond James Ltd. and Computershare Trust Company of Canada, providing for the issue of subscription receipts. The Company issued an aggregate of 3,300,000 Subscription Receipts at a price of \$20.10 per Subscription Receipt, for aggregate gross proceeds of \$66.3 million (the "Offering"). Each Subscription Receipt entitled the holder thereof, for no additional consideration and without further action, to one Common Share upon closing of the acquisition of four sawmills and associated working capital from Simpson Lumber Company, LLC. Net proceeds of the Offering were used to partially fund this acquisition. In connection with the completion of the Simpson acquisition on March 1, 2015, each subscription receipt was automatically exchanged, for no additional consideration, for one Common Share and the subscription receipts were delisted from the Toronto Stock Exchange.
3. First Amendment dated February 6, 2015, and Second Amendment dated February 23, 2015, to the Asset Purchase Agreement between Simpson Lumber Company, LLC and Interfor U.S. Inc., amending the Asset Purchase Agreement, dated December 18, 2014, between Simpson Lumber Company, LLC and Interfor U.S. Inc. for the acquisition of four sawmills located in Meldrim, Georgia, Georgetown, South Carolina, Longview, Washington and Tacoma, Washington for total consideration of approximately US\$94.7 million, plus working capital and contingent future payments. The transaction closed on March 1, 2015.
4. Amended and Restated Note Purchase and Private Shelf Agreement dated as of March 16, 2015, between the Company and the Prudential Capital Group for a US\$100 million term debt financing with Prudential Capital Group. The senior secured notes carry an annual interest rate of 4.17% and have a final maturity date of March 26, 2026. The proceeds were used to reduce drawings under the Company's bank credit facilities.
5. In conjunction with the financing described immediately above, Interfor decreased the credit available under its bank credit facilities from \$250 million to \$200 million, without change to other terms and conditions, through the Second Amendment to the Interfor March 31, 2014 Amended and Restated Credit Agreement dated for reference February 20, 2015 among the Company, each of the lenders named therein, and Royal Bank of Canada in its capacity as the arranger and the agent.
6. Interfor February 2016 Amended and Restated Credit Agreement, dated for reference February 9, 2016, between the Company, each of the lenders named therein and Royal Bank of Canada in its capacity as the arranger and agent, which extended the maturity of the Company's operating line and revolving term line from February 27, 2017 to May 19, 2019. All other terms remained substantially unchanged except for an increase in the maximum ratio of total debt to total capitalization, that resulted in an increase in the maximum borrowing available under the credit agreement.

All of these contracts have been posted on www.sedar.com.

DIRECTORS AND OFFICERS

Directors of the Company

The following table sets out the Company's directors as of February 10, 2016, their respective municipalities of residence, positions and offices held with the Company, principal occupations within the past five years and the period during which each director has served as a director:

| Name and Municipality of Residence | Director Since | Positions Held and Principal Occupations | From | To |
|--|-----------------------|--|-------------|-----------|
| DUNCAN K. DAVIES Vancouver, BC, Canada | November 1998 | President and Chief Executive Officer Interfor Corporation | 2000 | Present |
| PAUL HERBERT Germantown, TN, USA | March 2014 | Corporate Director | 2013 | Present |
| | | Chief Executive Officer, Ilim Group, Russia's largest forest pulp & paper company | 2007 | 2013 |
| JEANE HULL Sheridan, WY, USA | May 2014 | Corporate Director | 2015 | Present |
| | | Executive Vice President and Chief Technical Officer, Peabody Energy Corporation, a private-sector coal company | 2007 | 2015 |
| PETER M. LYNCH Toronto, ON, Canada | October 2006 | President & CEO, Dieffenbacher USA, Inc., a manufacturer and designer of press and forming systems | 2013 | Present |
| | | Independent Business Consultant | 2010 | 2013 |
| GORDON. H. MacDOUGALL West Vancouver, BC, Canada | February 2007 | Corporate Director | 2014 | Present |
| | | Vice Chairman, Connor, Clark & Lunn Investment Management Ltd., an asset management firm | 2006 | 2014 |
| J. EDDIE McMILLAN Pensacola, FL, USA | October 2006 | Independent Business Consultant | 2002 | Present |
| E. LAWRENCE SAUDER Vancouver, BC, Canada | April 1984 | Chief Executive Officer and Chairman, Metrie Canada Ltd. (formerly Sauder Industries Limited), a manufacturer and distributor of building products | 2010 | Present |
| | | Chairman, Hardwoods Distribution Inc., a distributor of wood products | 2008 | Present |
| L. SCOTT THOMSON Vancouver, BC, Canada | October 2012 | President and Chief Executive Officer, Finning International Inc., a distributor of Caterpillar products and support services | 2013 | Present |
| | | Executive Vice-President, Finance and Chief Financial Officer, Talisman Energy Inc., a global upstream oil and gas company | 2008 | 2013 |
| DOUGLAS W.G. WHITEHEAD North Vancouver, BC, Canada | April 2007 | Corporate Director | 2008 | Present |

To our knowledge, only one of the Company's directors has in the last 10 years been an officer or director of a company that, while the person was acting in that capacity, was subject to bankruptcy or similar proceedings or securities regulatory sanctions described in National Instrument 51-102 *Continuous Disclosure Obligations*. From 1993 to 2010, Mr.

Lynch was an executive officer and director of Grant Forest Products Inc. ("Grant Forest"). On June 25, 2009, Grant Forest and certain affiliated entities filed and obtained protection under the Companies' Creditors Arrangement Act in order to restructure their business affairs and on November 27, 2015, Grant Forest filed for bankruptcy.

The term of office for all current directors will end at the conclusion of the next Annual General Meeting of the Company's shareholders. The next Annual General Meeting is scheduled for Thursday, April 28, 2016.

Committees of the Board

The table below lists the committees of Interfor's board of directors and their members as of February 10, 2016:

| Committees | Members |
|---|---|
| Audit | Douglas Whitehead (Chair) Paul Herbert Peter Lynch Scott Thomson |
| Corporate Governance & Nominating Committee | Eddie McMillan (Chair) Jeane Hull Peter Lynch Gordon MacDougall Douglas Whitehead |
| Management Resources & Compensation Committee | Gordon MacDougall (Chair) Eddie McMillan Lawrence Sauder |
| Environment & Safety Committee | Peter Lynch (Chair) Paul Herbert Jeane Hull Lawrence Sauder Scott Thomson |

Officers of the Company

The following table sets out the Company's officers as of February 11, 2016, their respective municipalities of residence and their principal occupations for at least the last five years:

| Name and Municipality of Residence | Positions Held and Principal Occupations | From | To |
|--|---|------|---------|
| DUNCAN K. DAVIES Vancouver, BC, Canada | President & Chief Executive Officer Interfor Corporation | 2000 | Present |
| JOHN A. HORNING West Vancouver, BC, Canada | Executive Vice President & Chief Financial Officer Interfor Corporation | 2014 | Present |
| | Senior Vice President & Chief Financial Officer Interfor Corporation | 2002 | 2014 |
| J. STEVEN HOFER Bellingham, WA, USA | Senior Vice President, US Northwest Operations Interfor Corporation | 2014 | Present |
| | Senior Vice President, Sales & Marketing Interfor Corporation | 2014 | 2015 |
| | Vice President, Sales & Marketing Interfor Corporation | 2011 | 2014 |
| | General Manager, Sales & Marketing Interfor U.S. Inc. (formerly Interfor Pacific Inc.) | 2004 | 2011 |

| | | | |
|---|---|------|---------|
| JOSEPH A. RODGERS Sharpsburg, GA, USA | Senior Vice President, US Southeast Operations Interfor Corporation | 2014 | Present |
| | Vice President, US Operations Interfor Corporation | 2013 | 2014 |
| | Vice President, Operations – Solid Wood Temple-Inland Building Products | 2011 | 2013 |
| | Operations Manager – Solid Wood Temple-Inland Building Products | 2009 | 2011 |
| MARTIN L. JURAVSKY Toronto, ON, Canada | Senior Vice President, Corporate Development and Strategy Interfor Corporation | 2014 | Present |
| | Vice President, Corporate Development and Strategy Interfor Corporation | 2013 | 2014 |
| | Business Consultant | 2012 | 2013 |
| | Vice President, Corporate Development Woodland Biofuels Inc. | 2011 | 2012 |
| | Managing Director Macquarie Capital Markets Canada Ltd. | 2009 | 2011 |
| IAN M. FILLINGER Kamloops, BC, Canada | Senior Vice President, Head of Operations Interfor Corporation | 2015 | Present |
| | Senior Vice President, Canadian Operations Interfor Corporation | 2014 | 2015 |
| | Vice President, Canadian Operations Interfor Corporation | 2013 | 2014 |
| | Senior General Manager Interfor Corporation | 2013 | 2013 |
| | General Manager, Adams Lake & Coastal Manufacturing Interfor Corporation | 2012 | 2013 |
| | General Manager, Adams Lake Division Interfor Corporation | 2005 | 2012 |
| MARK W. STOCK North Vancouver, BC, Canada | Senior Vice President, Human Resources Interfor Corporation | 2014 | Present |
| | Vice President, Human Resources Interfor Corporation | 2012 | 2014 |
| | Vice President, Global Human Resources Tree Island Industries Ltd. | 2007 | 2012 |
| BART BENDER 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 |
| | General Manager, Sales Ainsworth Lumber Co. | 2002 | 2012 |
| RICHARD J. SLACO Delta, BC, Canada | Vice President & Chief Forester Interfor Corporation | 2002 | Present |

| | | | |
|---|---|------|---------|
| XENIA KRITSOS Vancouver, BC, Canada | General Counsel & Corporate Secretary Interfor Corporation | 2015 | Present |
| | General Counsel & Corporate Secretary Coalspur Mines Limited | 2013 | 2015 |
| | Senior Legal Counsel Hunter Dickinson Services Inc. | 2009 | 2013 |

SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As at December 31, 2015, the directors and officers of the Company as a group owned, directly or indirectly, or exercised control of or direction over 875,434 Common Shares representing approximately 1.25% of the outstanding Common Shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since the commencement of our most recently completed 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 2015, are currently in underway, or which we know to be contemplated.

INTEREST OF EXPERTS

KPMG LLP are the external auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of Institute of Chartered 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 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 2015, 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 2015 were, and all current members of the Audit Committee are, 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>Douglas W.G. Whitehead Chair of the Audit Committee since May 2012</p> | <p>Mr. Whitehead is a Corporate Director. From 2000 to 2008, he was the President and Chief Executive Officer of Finning International Inc. ("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. Mr. Whitehead is currently the director and Chair of Finning and a director of both Belcorp Industries Inc. and Kal Tire. 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> |
| <p>Paul Herbert Member since May 2014</p> | <p>Mr. Herbert is a corporate director with over 47 years of experience in the pulp and paper industry. From 2007 to 2013, Mr. Herbert was the Chief Executive Officer of Ilim Group, Russia's largest forest pulp & paper company. From 2003 to 2007, he was Senior Vice President of Global Strategic Initiatives for International Paper. Prior thereto, he held various senior executive positions with International Paper, including Senior Vice President, Printing and Communications, President of International Paper Europe and Vice President Engineering & Manufacturing. He is currently a director of Ilim Timber Group in Russia. He holds a degree in Engineering from East London Polytechnic University and an Executive Master of Business Administration from Texas A&M University.</p> |
| <p>Peter M. Lynch Member since April 2009</p> | <p>Mr. Lynch is currently President & CEO of Dieffenbacher USA, Inc. ("Dieffenbacher"). Prior thereto he provided consulting services to Dieffenbacher. From 1993 to 2010, he was an Executive Vice President and director of Grant Forest Products Inc. (and its predecessor), a producer of OSB and engineered wood products. Mr. Lynch holds a LL.B from Osgoode Law School and is a member of the Law Society of Upper Canada.</p> |
| <p>L. Scott Thomson Member since November 2012</p> | <p>Mr. Thomson is currently President and CEO of Finning International Inc., the world's largest Caterpillar equipment dealer. From 2008 to 2013, he was Chief Financial Officer of Talisman Energy Inc. Prior thereto, Mr. Thomson was Executive Vice President, Corporate Development, Vice President, Head of Mergers and Acquisitions, and Vice President, Corporate Strategy at Bell Canada Enterprises Inc. Mr. Thomson holds a Bachelor of Arts from Queen's University and a Masters of Business Administration from the University of Chicago.</p> |

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 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, 2014 and December 31, 2015, were as follows:

| | 2015 | 2014 |
|---|-----------|-----------|
| Audit fees | | |
| Fees billed for professional services rendered. | \$581,256 | \$586,900 |
| Audit-related fees | 183,738 | 61,500 |

Audit-related fees consist principally of fees for professional services rendered with respect to audits of a defined benefit pension plan and subsidiary companies (2015 and 2014) and bought deal financing involvement (2015).

Tax fees

| | | |
|---|--------|--------|
| 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 (2015 and 2014), and advice on setup of Insurance Captive (2015). | 88,731 | 37,771 |
|---|--------|--------|

All Other fees

| | | |
|--|--------|---------|
| Forestry certification, and assistance with ERP system design and conversion review (2015 and 2014); advice on leading practice for IT procurement (2015). | 99,800 | 123,347 |
|--|--------|---------|

| | | |
|--------------|------------------|------------------|
| TOTAL | <u>\$953,525</u> | <u>\$809,518</u> |
|--------------|------------------|------------------|

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.

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, 2015.

Copies of the documents referred to above and additional information relating to the Company are available on the SEDAR website at www.sedar.com, on the Company's website 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

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 51-110")*.
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 CEO and Chief Financial Officer (“**CFO**”) and the certification 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.