ANNUAL INFORMATION FORM

For the financial year ended December 31, 2018

March 14, 2019

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ITEM 1 DATE OF ANNUAL INFORMATION FORM

This Annual Information Form ("AIF") is dated as of March 14, 2019. Unless otherwise indicated, the information contained in this AIF is stated as at December 31, 2018.

ITEM 2 CORPORATE STRUCTURE

2.1 NAME AND INCORPORATION

Stella-Jones Inc. ("SJI") was incorporated as 2865165 Canada Inc. on October 26, 1992 under the *Canada Business Corporations Act* and changed its name to Stella-Jones Inc. on February 19, 1993. SJI's Articles were amended on March 31, 1994 to delete private company restrictions. The Articles were again amended on June 13, 1994, subdividing all 100,001 common shares issued and outstanding into 6,200,000 common shares redesignated "Common Shares", creating Preferred Shares, issuable in series, cancelling all authorized but non-issued preferred shares and creating the Series 1 Preferred Shares. On May 27, 1996, SJI's Articles were further amended to add a provision to the effect that the directors may appoint a limited number of additional directors to hold office until the close of the next annual meeting of shareholders. On January 1, 2014 SJI filed Articles of Amalgamation evidencing its amalgamation with its wholly-owned subsidiary, I.P.B. – W.P.I. International Inc. ("I.P.B."). On January 1, 2015, SJI filed Articles of Amalgamation evidencing its amalgamation with its wholly-owned subsidiaries, Stella-Jones Canada Inc. ("SJ Canada") and Guelph Utility Pole Company Ltd. On January 1, 2016, SJI filed Articles of Amalgamation evidencing its amalgamation with its wholly-owned subsidiaries, Ram Forest Group Inc. ("Ram Forest Group"), Ramfor Lumber Inc. ("Ramfor"), Ram Forest Products Inc. ("RFP") and Trent Timber Treating Ltd. ("Trent"). On May 12, 2017, Stella-Jones filed Articles of Amendment to increase the minimum and maximum number of directors to three and 12, respectively.

The registered office of SJI is located at 3100 de la Côte-Vertu Blvd., Suite 300, Montréal, Québec, H4R 2J8.

2.2 INTERCORPORATE RELATIONSHIPS

As at December 31, 2018, Stella-Jones Corporation ("SJ Corporation"), McFarland Cascade Holdings, Inc. ("McFarland"), McFarland Cascade Pole & Lumber Company ("MCPL"), Cascade Pole and Lumber Company ("Cascade"), Lufkin Creosoting Co., Inc. ("Lufkin"), Kisatchie Midnight Express, L.L.C. ("KME"), Stella-Jones U.S. Holding Corporation ("SJ Holding"), Stella-Jones U.S. Finance II Corporation ("SJ Finance II"), Stella-Jones U.S. Finance III Corporation ("SJ Finance III"), Stella-Jones US II LLC ("SJ US II"), Stella-Jones U.S. III LLC ("SJ US III") and Stella-Jones CDN Finance Inc. ("SJ CDN Finance") were the principal subsidiaries of the Company.

NAME OF SUBSIDIARY	PERCENTAGE OF VOTING SHARES OWNED BY THE COMPANY	JURISDICTION OF INCORPORATION
SJ Corporation	100%	Delaware
McFarland	100%	Washington
MCPL	100%	Washington
Cascade	100%	Washington
Lufkin	100%	Texas
KME	100%	Louisiana
SJ Holding	100%	Delaware
SJ Finance II	100%	Delaware
SJ Finance III	100%	Delaware
SJ US II	100%	Delaware
SJ US III	100%	Delaware
SJ CDN Finance	100%	Canada

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Unless the context dictates otherwise, "Stella-Jones", "SJI" and "the Company" mean Stella-Jones Inc. and its subsidiaries.

3.1 THREE YEAR HISTORY

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties and timbers, and the continent's electrical utilities and telecommunications companies with utility poles. Stella-Jones Inc. also manufactures and distributes residential lumber and accessories to retailers for outdoor applications, as well as industrial products for construction and marine applications.

On June 3, 2016, SJI, through its wholly-owned U.S. subsidiary, completed the acquisition of the wood treating facilities of Lufkin, located in Lufkin, Texas. The facility produces treated poles and timbers. Total cash outlay was approximately $46.5 million (US$35.9 million), excluding acquisition costs. SJI financed the transaction through a combination of its syndicated credit facilities and an unsecured vendor note ("Lufkin Unsecured Vendor Note"). As this transaction was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102, Form 51-102F4 (Business Acquisition Report) was not filed in respect of this acquisition.

On June 3, 2016, the Company, through its wholly-owned U.S. subsidiary, completed the acquisition of the equity interests of 440 Investments, LLC, the parent company of Kisatchie Treating, LLC, Kisatchie Pole & Piling, LLC, Kisatchie Trucking, LLC and KME (collectively, "Kisatchie"). Kisatchie produces treated poles, pilings and timbers, with two wood treating facilities in Converse and Pineville, Louisiana. The total cash outlay associated with the acquisition was approximately $46.2 million (US$35.7 million), excluding acquisition costs. Stella-Jones financed the transaction through a combination of its syndicated credit facilities and an unsecured vendor note ("Kisatchie Unsecured Vendor Note"). As this transaction was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102, Form 51-102F4 (Business Acquisition Report) was not filed in respect of this acquisition.

On December 21, 2016, the Company completed the acquisition of substantially all of the operating assets of Bois KMS (GMI) Ltée. ("KMS") and Northern Pressure Treated Wood Ltd. ("NPTW"). Facilities specializing in the manufacture and distribution of treated wood utility poles were acquired in Rivière Rouge, Québec and Kirkland Lake, Ontario. Total cash outlay associated with the acquisitions was approximately $19.2 million, excluding acquisition costs. As this was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102, Form 51-102F4 (Business Acquisition Report) was not filed in respect of this acquisition.

On December 19, 2017, Stella-Jones completed the acquisition of substantially all of the wood treating assets of Wood Products Industries Inc. ("WPI"), located in South River, Ontario. The Company plans on using these assets to treat residential lumber. Total cash outlay amounted to approximately $4.2 million, excluding acquisition costs of approximately $234,000. The Company financed the acquisition through its existing syndicated credit facilities. As this transaction was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102, Form 51-102F4 (Business Acquisition Report) was not filed in respect of this acquisition.

On February 9, 2018, the Company completed the acquisition of the wood treating facility and post pealing operations of Prairie Forest Products ("PFP"), a division of Prendiville Industries Ltd., located in Neepawa and Birch River, Manitoba, respectively. Total cash outlay was approximately $27.0 million, excluding acquisition costs of approximately $425,000. The Company financed the acquisition through its existing syndicated credit facilities. As this transaction was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102, Form 51-102F4 (Business Acquisition Report) was not filed in respect of this acquisition.

On April 9, 2018, the Company, through its wholly owned U.S. subsidiary, completed the acquisition of substantially all of the operating assets employed in the business of Wood Preservers Incorporated (“WP”), located at its wood treating facility in Warsaw, Virginia. WP manufactures, sells and distributes marine and foundation pilings and treated wood utility poles. Total cash outlay associated with the acquisition was approximately $27.5 million (US$21.6 million), excluding acquisition costs of approximately $423,000. The Company financed the acquisition through its existing syndicated credit facilities and an unsecured promissory note. As this transaction was not a significant acquisition for the purpose of Part 8 of National Instrument 51-102, Form 51-102F4 (Business Acquisition Report) was not filed in respect of this acquisition.

ITEM 4 DESCRIPTION OF THE BUSINESS

4.1 GENERAL

The Company operates within two business segments, the production and sale of pressure treated wood for several different product groups (described below) and logs and lumber. Wood treating facilities are located in the Canadian provinces of Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Québec, and the states of Alabama, Arizona, Arkansas, Georgia, Indiana, Kentucky, Louisiana, Mississippi, Nevada, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, and Wisconsin in the United States. Additionally, the Company distills coal tar and distributes products from that process at its Memphis, Tennessee distillery.

4.2 DESCRIPTION OF PRODUCT GROUPS AND SERVICES

Railway Ties

Since railway products must have a high resistance to wear and decay, a creosote-based treatment is required to provide the maximum protection.

Demand for railway ties is comprised primarily of replacement requirements with limited activity in new track construction. Capital expenditures on track and infrastructure improvements should remain solid in the years to come.

A relatively stable volume of new ties is required for maintenance purposes, as management estimates that approximately 1.5% to 3.0% of all ties on active railway lines are in need of replacement every year. In addition to servicing the demands of the Class 1 railroads for railway ties and timbers, the Company also sells to many short line railroads and to contractors that install and repair rail lines.

Utility Poles

Customers for transmission and distribution poles are predominantly regional telecommunication and electric utility companies. Although there exist alternative transmission methods, treated wood poles are the preferred method due to their durability (poles could typically last from 40 to 50 years or longer) and their relatively low cost of purchase, installation and maintenance. Furthermore, wood poles can be easily drilled and cross cut and allow greater ease for servicing by linesmen. Steel, cement and composite poles are more expensive than wood poles in most sizes and applications. Due to the higher cost and characteristics such as conductivity, potential for corrosion, poor serviceability, flexibility and workability (drilling, machining, climbing), wood poles continue to be the preferred choice of most utilities. Underground cable is used mainly in urban centers where existing underground infrastructures exist but is less preferred in rural areas due to the higher cost and difficult accessibility.

Residential Lumber

This category consists primarily of pressure treated consumer lumber for use in patios, decks, fences and other outdoor applications, as well as the distribution of wood and wood alternative accessories. The

Company provides residential lumber throughout Canada as well as in the U.S. Pacific Northwest and Alaska.

Industrial Products

These products include foundation and marine piling, railway bridge and crossing timbers, crane mats, construction timbers, fence posts and highway guardrail posts.

The Company also manufactures the wood preservative, creosote, for use in its wood treating activities, as well as other coal tar-based products such as roof pitch and road tar, which are sold to third party customers.

Logs and Lumber

In this segment, logs comprise the logs harvested in the course of the Company's procurement process which are determined to be unsuitable for use as utility poles. Additionally, in the course of procuring sufficient competitively-priced residential lumber volume, the Company engages in reselling excess lumber into local home-building markets.

4.3 DESCRIPTION OF MANUFACTURING PROCESS

Preservation is the process by which wood is protected against decay and pests through controlled pressure impregnation with preservatives that are resistant to wood destroying organisms.

The manufacturing process involves at least two stages: drying and impregnation with preservatives through hydraulic pressure. The preservatives, all of which are approved by Health Canada and the United States Environmental Protection Agency, are either oil-based or water-based. The raw materials consist of wood and preservatives.

In the first phase of treatment, excessive moisture in the wood is reduced prior to impregnation with the preservative. This is accomplished by air-seasoning, kiln drying or through a "conditioning process" in the treatment cylinder itself.

In the second phase, treatment is performed on batches of wood that are similar in species, shape and moisture content. Such batches are inserted into the treatment cylinder, where either a vacuum or a pressurized condition is created prior to the admission of the preservative. Following the admission of the preservative, hydraulic pressure is maintained in the treatment cylinder until the wood has absorbed the preservative to a pre-determined amount. Upon completion of the absorption process, excess preservative is returned to the storage tanks and a few remaining process steps are taken to avoid preservative concentrations on wood surfaces prior to removal from the treatment cylinder.

4.4 MANUFACTURING OPERATIONS

The Company operates 14 wood treating facilities in Canada and 25 wood treating facilities in the United States. In Canada, the facilities are located in Carseland (Alberta), Galloway, New Westminster and Prince George (British Columbia), Neepawa (Manitoba), Truro (Nova Scotia), Stouffville, Guelph, Peterborough and South River (Ontario), Delson, Gatineau, Rivière Rouge and Sorel-Tracy (Québec). In the United States, the facilities are located in Clanton and Montevallo (Alabama), Eloy (Arizona), Rison and Russellville (Arkansas), Cordele (Georgia), Winslow (Indiana), Fulton (Kentucky), Alexandria, Converse and Pineville (Louisiana), Electric Mills (Mississippi), Silver Springs (Nevada), Eugene and Sheridan (Oregon), Dubois and McAlisterville (Pennsylvania), Whitmire (South Carolina), Lufkin (Texas), Goshen and Warsaw (Virginia), Arlington and Tacoma (Washington), and Bangor and Cameron (Wisconsin).

The wood preservative, creosote, is produced at the Company's distillery in Memphis, Tennessee.

The Company operates 12 pole peeling facilities in Canada and in the United States, and is also serviced by numerous pole peeling sites operated by third parties in both Canada and the United States.

Carseland, Alberta

Constructed in 1978, the Carseland facility is situated on a 64-hectare site of which 32 hectares are utilized for the production and storage of utility poles and residential lumber. The operation includes one state of the art Pentachlorophenol (“PCP”) pressure system, one Micronized Copper Azole (“MCA”) water-borne pressure system, along with two drying/stabilization chambers. In addition, there is a pole butt treating tank, an incising/grading line and an automated lumber packaging line. Total annual treating capacity is approximately 147,000 cubic metres. The plant’s location is well situated to provide utility poles to Western Canada and U.S. markets and is supported by a long-established forestry operation headquartered at Salmon Arm, British Columbia, which manages the Company’s forest tenures in British Columbia.

In 2018, capital expenditures approximating $460,000 were devoted to the facility, mainly for a paving project, the construction of a maintenance shop building and replacing the Penta system gas exchange.

The Salmon Arm forestry operation saw capital expenditures of approximately $2.0 million in 2018, primarily for road construction and timber land purchases.

Galloway, British Columbia

Located in Galloway, British Columbia, the 15-hectare site is used to manufacture utility poles, with key processes of peeling, incising, framing and treating. The facility conducts thermal and pressure treating and is equipped with an oil-based pressure treating cylinder and a butt-treating tank. Total annual production capacity approximates 55,500 cubic metres.

Capital expenditures at the Galloway facility during the year ended December 31, 2018 amounted to approximately $36,000 and was primarily for the purchase of a pole tag machine.

New Westminster, British Columbia

The New Westminster facility is situated on approximately 31 hectares of land. The plant operates four oil cylinders, one water-borne cylinder and a fixation chamber, with a total annual production capacity of over 88,000 cubic metres. The plant is also equipped with a pole peeler and a double track dry kiln. The plant produces mainly poles and piling, primarily for the North American market and is located near Vancouver on both the Canadian Pacific Rail system and the Burlington Northern Santa Fe (“BNSF”) main lines. It has easy truck access to Western North American markets in addition to Western ports for offshore export shipping.

For the year ended December 31, 2018, capital improvements amounted to approximately $350,000, primarily for drip pad and boiler projects, a new employee changing room and to replace the facility’s waterfront dolphins.

Prince George, British Columbia

The Prince George plant operates on 31 hectares and operates two oil cylinders, one water-borne cylinder, a dry kiln and a fixation chamber. The total annual treating capacity is approximately 58,750 cubic metres. The facility also includes a pole peeler, a railway tie mill and a pole grading and framing line. The plant produces mainly poles and crossties to serve Canadian utilities and railway market sectors. A spur line in the plant connects to the Canadian National Railway Company main line. Truck access is available to British Columbia ports for offshore shipments.

Capital expenditures of approximately $130,000 were devoted primarily to fire suppression system upgrades at the Prince George plant during the year ended December 31, 2018.

Neepawa, Manitoba

This 12-hectare property located in Neepawa, Manitoba produces treated lumber, treated posts and poles for agricultural applications, pre-stained decking and fencing as well as utility poles. Treatment is conducted in two water-borne treating cylinders using Chromated Copper Arsenate (“CCA”), Alkaline Copper Quaternary (“ACQ”) and MCA. Total annual treating capacity is approximately 115,000 cubic metres.

Capital expenditures carried out in 2018 totalled approximately $61,000 for the pavement of the lumber sorting building floor.

Truro, Nova Scotia

This facility operates on just over 27 hectares of land. The facilities include two oil cylinders and two water-borne preservative cylinders, giving a combined annual treating capacity of approximately 200,000 cubic metres. The facilities also include a lumber/timber framing and incising line, mobile handling equipment, a maintenance shop, a fully equipped research laboratory and offices for production, sales and wood procurement personnel for the region.

In 2018, there were no capital expenditures made at the Truro facility.

The plant currently produces a broad range of products, serving the utilities and telecommunications, railways and industrial markets. It is located along the Canadian National Railway Company main line, with easy truck access to domestic and United States markets and major eastern ports for offshore export shipments.

Stouffville, Ontario

The Stouffville facility (formerly referred to as the Gormley facility) operates on approximately six hectares of land and is equipped with four treating cylinders using the micronized copper preservative. It also contains a wood milling plant. The facility produces approximately 160,000 cubic metres of lumber, annually. The plant is equipped with a lumber grading and stacking line and offices for administrative and sales personnel.

The Stouffville facility produces premium grade pressure treated residential lumber for the construction of outdoor decks and fences, milled wood accessories such as wood balusters and fence toppers to enhance outdoor fences and decks, as well as railing systems for the retail building materials industry.

Capital expenditures at the Stouffville facility for the year ended December 31, 2018 amounted to approximately $418,000, for a new kiln, a stacker machine, and to carry out the remaining work relating to stormwater and pavement projects.

Guelph, Ontario

Specializing in the treatment of utility poles and residential lumber, the Guelph facility operates on approximately nine hectares of land. It has three water-borne cylinders, four dry kilns and full fixation capacity for all of its 3 cylinders. The total annual treating capacity approaches 160,000 cubic metres. The facilities also include an incising/framing line and an automated lumber packaging line. The plant produces utility poles and residential lumber and benefits from access to a rail loading and unloading facility within minutes of the plant.

In 2018, there were approximately $95,000 in capital expenditures, devoted primarily to upgrades to the treating cylinder heating system.

Peterborough, Ontario

The Peterborough plant operates on approximately six hectares of land and includes a wood treating plant, a lumber grinder and stacker as well as a dry kiln. The facility produces approximately 105,000 cubic metres of lumber annually. With a total of four treating cylinders, primary preservatives include micronized copper (three cylinders) and Dricon (one cylinder), the latter to treat fire-retardant lumber products used for structural roof trusses and sheathing.

Capital expenditures devoted to the facility during the year totalled approximately $273,000, representing the remaining scope of work relating to stormwater and pavement projects.

South River, Ontario

This 14-hectare property includes an operational area of approximately 7 hectares. The site, which specializes primarily in residential lumber, includes two pressure treating cylinders as well as maintenance and support buildings for speciality item shipments. Annual treating capacity approaches 70,000 cubic metres.

Capital expenditures at the South River facility totalled approximately $3.0 million during the year, primarily for a treating cylinder conversion to the MCA preservative, the construction of a new lumber inspection line and upgrades to the stormwater management system.

Delson, Québec

The Delson plant operates on 66 hectares of land and includes three oil cylinders, two water-borne cylinders and two dry kilns. The total annual treating capacity approaches 280,000 cubic metres. The plant has a railway tie mill, which includes an inspection and boring line. In addition, the facility is equipped with a residential lumber inspection and packaging line.

For the year ended December 31, 2018, capital expenditures at the Delson plant totalled approximately $2.0 million. The major portion of these expenditures were devoted to a new tie trimmer and stacker as well as a sanitary sewer system upgrade.

The plant currently produces a wide range of products, serving all major markets. The Delson plant is located within minutes of Montréal, on both the Canadian National Railway Company and Canadian Pacific Railway main lines. It has good truck access to major population centres in Central and Eastern Canada and the United States and to major eastern ports for offshore export shipments.

Gatineau, Québec

The Gatineau plant has a total annual treating capacity of approximately 60,000 cubic metres, operates on eight hectares of land and has a water-borne preservative cylinder, three dry kilns and a pole peeler. The plant is located approximately 30 kilometres east of Gatineau, Québec and specializes in the production of utility poles.

There were no capital improvements made to the Gatineau facility during the year ended December 31, 2018.

Rivière Rouge, Québec

Located in Rivière Rouge, Québec, the facility operates on approximately 16 hectares of land and specializes in the production and treatment of utility poles. The site includes two treating cylinders, two dry kilns as well as a pole peeler and has a total throughput of approximately 20,000 poles per year or approximately 60,000 cubic metres.

During the year ended December 31, 2018, no capital expenditures were devoted to the facility.

Sorel-Tracy, Québec

The Sorel-Tracy plant has a total annual treating capacity of approximately 90,000 cubic metres, operates on nine hectares of land and is equipped with two water-borne preservative cylinders, a dry kiln and a framing line. The plant specializes in treated lumber and specialty products, using micronized copper wood treatment for the residential construction market.

For the year ended December 31, 2018, there were no capital expenditures dedicated to the Sorel-Tracy plant.

Clanton, Alabama

This facility is located on 26 hectares in Clanton, Chilton County, Alabama. The site includes an 89,000 square foot facility for treating, storage tanks, maintenance shop and offices and utilizes creosote and borate in the treating process, giving it an annual capacity of approximately 240,000 cubic metres.

For the year ended December 31, 2018, approximately US$240,000 of capital expenditures were dedicated to the facility, primarily for improvements to the tie mill.

Montevallo, Alabama

Located in Shelby County, Alabama, this facility operates on a 24-hectare parcel of land and specializes in the manufacture of creosote, copper naphthenate and borate treated railway ties. The facility includes seven creosote pressure treating cylinders, giving annual treating capacity of approximately 256,000 cubic metres, as well as a prefabrication department which can produce flange, crossing and bridge timbers. The plant also has an equipment maintenance facility and offices for personnel.

For the year ended December 31, 2018, capital expenditures amounted to approximately US$870,000, primarily for a new borate dip tank system, treating plant upgrades and environmental, health and safety enhancements.

Eloy, Arizona

Located in Eloy, Arizona, this facility is comprised of approximately 9 hectares of land. Operations include two pressure treating cylinders for oil-borne and water-borne preservatives and treated and white wood storage yards. The primary product currently manufactured by the facility is residential lumber.

Capital expenditures dedicated to the facility amounted to approximately US$35,000 during the year ended December 31, 2018, primarily to replace a cooling tower.

Rison, Arkansas

In operation since 2008, this 16-hectare site, located in Rison, Arkansas, specializes in the production of treated utility poles. It includes two treatment cylinders for oil-borne preservatives, providing a combined annual treating capacity of approximately 99,000 cubic metres.

There were capital expenditures totalling approximately US$291,000 made during the year at the facility, primarily to stabilize land for expansion of the facility's storage yard and for the automation of a retort door.

Russellville, Arkansas

Located in Russellville, Arkansas, USA, and operating on approximately 40 hectares of land, the plant specializes in the treating of railway ties. The facilities include three pressure treating cylinders for oil-borne preservatives, with one of them alternating for borate, giving a combined annual treating capacity of approximately 165,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, and a maintenance facility and offices for production and wood procurement.

For the year ended December 31, 2018, capital expenditures amounted to approximately US$1.3 million, mainly for wastewater plant system upgrades and a new borate dip tank.

Cordele, Georgia

Located on an 18-hectare site in Cordele, Georgia, USA, this facility was constructed by the Company in 2013. With an approximate annual treating capacity of approaching 250,000 cubic metres, the plant specializes in the treatment of utility poles following an extensive conversion in 2018.

For the year ended December 31, 2018, capital expenditures of approximately US$8.3 million were devoted to the addition of a new CCA treating system, two new pole drying kilns and a pole peeler.

Winslow, Indiana

Operating on approximately 16 hectares of land, the plant specializes in the treating of railway ties. The facilities include two pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 150,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, a maintenance facility, and offices for production and wood procurement personnel.

For the year ended December 31, 2018, capital expenditures at the Winslow plant amounted to approximately US$750,000, primarily for a wood chipper, the purchase of land and a heat exchanger.

Fulton, Kentucky

Located in Fulton, Kentucky, USA, and operating on approximately 32 hectares of land, the plant specializes in the treating of railway ties. The facility includes two pressure treating cylinders for oil-borne preservatives, providing an annual treating capacity of approximately 130,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing one million ties annually, a maintenance facility and offices for production and wood procurement personnel. Additionally, the facility has a pre-plate line capable of pre-plating approximately 200,000 ties annually.

For the year ended December 31, 2018, capital expenditures at the Fulton facility totalled approximately US$2.4 million, mainly for a trimmer bay system, an end-plater system and ground stabilization work.

Alexandria, Louisiana

Operating on approximately 25 hectares of land, the Alexandria plant specializes in the treating of railway ties. The facilities include four pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 260,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, a maintenance facility and offices for production and wood procurement personnel.

For the year ended December 31, 2018, capital expenditures at the Alexandria plant amounted to approximately US$152,000, devoted mostly to upgrades to the rail tracks at the facility.

Converse, Louisiana

Situated on a 57-hectare parcel of land, the site operations include pole peeling, kiln drying, pressure treating, storage and shipment of utility poles treated with CCA. Treatment is conducted in one treatment cylinder and the current operation has an annual treating capacity of approximately 200,000 cubic metres and a capacity of approximately 85,000 cubic metres of poles per year.

Capital improvements totalling US$27,000 were made during the year to acquire a wood chip trailer for the facility.

Pineville, Louisiana

This treating facility is located in Pineville, Rapides Parish, Louisiana on a 19-hectare site and specializes in the treatment of utility poles. Operations include peeling for processing, kiln drying, pressure treating, storage and shipment of utility poles treated with oil-borne preservatives. Treatment is conducted in three treating cylinders and the operation has a total production of approximately 85,000 cubic metres of poles per year.

Capital expenditures of approximately US$1.4 million were made during 2018, primarily for upgrades to the treating plant, framing building, tank farm containment and peeler outfeed.

Electric Mills, Mississippi

Located in Scooba, Kemper County, Mississippi, USA, on 20.8 hectares of land, this plant specializes in the production and treatment of utility poles. The site includes two steam-drying cylinders and one pressure treating cylinder, providing an annual treating capacity of 80,000 cubic metres. It is also equipped with an inline framing system, a pole peeler and offices to support its wood procurement activities.

For the year ended December 31, 2018, capital improvements amounted to approximately US$156,000 and were directed towards peeler improvements and the purchase of adjacent land.

Silver Springs, Nevada

This facility is located on approximately 33 hectares of land in Silver Springs, Nevada. The operations consist of three treating cylinders capable of treating with oil-borne preservatives. Total capacity reaches 48,000 cubic metres annually. Treated and white wood storage areas also exist at the site.

For the year ended December 31, 2018, capital expenditures approximated US$218,000 for drip pad maintenance, pump replacement and the purchase of forks for the facility’s loaders.

Eugene, Oregon

Located in Eugene, Oregon, USA, on a 10-hectare site, the plant specializes in the production and treatment of utility poles and wood drying. The facilities include four pressure treating cylinders for oil-borne preservatives, providing a total annual treating capacity of approximately 85,000 cubic metres. The plant is also equipped with two incisors and administrative offices.

For the year ending December 31, 2018, there were no capital expenditures devoted to the facility.

Sheridan, Oregon

Located in Sheridan, Oregon, this pole facility is comprised of approximately 14 hectares of land. Operations include five treating cylinders, peeling operations along with treated and white wood storage areas. The facility manufactures treated transmission poles and distribution poles, utilizing both PCP and copper naphthenate and has an annual capacity of approximately 57,000 cubic metres.

During the year ended December 31, 2018, capital expenditures amounted to approximately US$824,000 at the Sheridan facility, which included replacing the treating plant roof, a storm water upgrade, tank replacements and treating cylinder rail replacements.

DuBois, Pennsylvania

Located in DuBois, Pennsylvania, USA, this facility operates on 13 hectares and specializes in the production and treating of railway ties and timbers. The facility includes three pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 100,000 cubic metres. This production facility also includes a prefabrication department which can produce flange, crossing and bridge timbers, a maintenance shop, and offices for production and wood procurement personnel.

For the year ended December 31, 2018, approximately US$936,000 in capital expenditures were made towards improvements to the water treatment process, including a cooling tower and repairs to the rail bridge and rail siding.

McAlisterville, Pennsylvania

The McAlisterville, Pennsylvania, USA facility operates on approximately 16 hectares of land and specializes in the treating of railway ties. The facilities include two pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 30,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility and a pre-plating line capable of processing 300,000 ties annually and offices for production and wood procurement personnel.

For the year ended December 31, 2018, capital expenditures of approximately US$127,000 were devoted to a treating surge tank and to upgrade the hydraulic pre-plating machine.

Whitmire, South Carolina

This facility is located on a 20-hectare site in Whitmire, Union County South Carolina and specializes in the production of treated wood poles. It is equipped with two treating cylinders, a peeler and four dry kilns. The facility uses water-borne preservatives in the treating process and has an annual capacity of about 85,000 cubic metres of poles per year.

Capital expenditures of approximately US$6.5 million were dedicated to the installation of a new peeler, white wood storage yard improvements and an additional kiln during the year ended December 31, 2018.

Lufkin, Texas

Located in Lufkin, Angelina County, Texas on a 14-hectare site, the operation specializes in the treatment and production of utility poles and includes three cylinders for pressure treatment. The facility has a total throughput of approximately 68,000 cubic metres of poles per year.

Capital expenditures in 2018 totalled approximately US$638,000, devoted mainly to a cylinder door and work tank replacements as well as drip pad upgrades and the purchase of new trams.

Memphis, Tennessee – Coal Tar Distillation

Located in Memphis, Tennessee, USA, and operating on approximately 2 hectares of land, the plant specializes in coal tar distillation. The coal tar distillation facilities include two batch distillation units with an annual capacity of seventeen million litres of coal tar. The plant also includes a maintenance facility, a product testing lab, a barge unloading dock, and offices for production and clerical personnel.

For the year ended December 31, 2018, capital expenditures of approximately US$785,000 were devoted primarily to tank replacements and rail track repairs.

Goshen, Virginia

Located in Goshen, Virginia, USA, and operating on approximately 11 hectares of land, the plant specializes in the production and treating of railway ties and timbers. The facility includes five pressure treating cylinders for oil-borne preservatives, providing a combined annual treating capacity of approximately 155,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing one million ties annually, a prefabrication department which can produce flange, crossing and bridge timbers, a maintenance and machine shop facility and offices for production and wood procurement personnel.

For the year ended December 31, 2018, there were capital expenditures of approximately US$1.45 million at the Goshen plant, mainly for upgrades to the treating plant and the treating building electrical system.

Warsaw, Virginia

Situated on approximately 57 hectares in Warsaw, Virginia, this plant produces foundation and marine pilings and treated dimension wood products. The facilities include five treatment cylinders and four dry kilns, providing a total annual treating capacity of 250,000 cubic metres.

For the year ended December 31, 2018, there were capital expenditures of approximately US$360,000 at the Warsaw plant, primarily for additional kiln carts and bark trailers to haul processed bark.

Arlington, Washington

The Arlington, Washington, USA facility operates on approximately 21 hectares and specializes in the treating of utility poles. The facilities include two pressure treating cylinders for oil-borne preservatives and one butt tank providing a combined annual treating capacity of approximately 70,000 cubic metres. In addition, the plant incorporates a pole peeler and framing yard, and offices for production and wood procurement personnel.

Capital expenditures of approximately US$135,000 were carried out at the facility during the year ended December 31, 2018, devoted primarily to the fabrication of replacements for two preservative tank bottoms.

Tacoma, Washington

Located in Tacoma, Washington, USA, on approximately 17 hectares of land, the plant manufactures utility poles, pilings and dimensional lumber for decking and fencing. Operations include framing, incising, staining, treating and distributing. Equipped with four oil-based cylinders and one water-based cylinder, wood is pressure treated or thermally treated (non-pressure) with water or oil-based preservative formulations. Total annual treating capacity is 330,000 cubic metres.

For the year ended December 31, 2018, capital improvements of approximately US$1.6 million were dedicated to the conversion of a treating cylinder to an alternate preservative, to carry out upgrades to the stormwater system, to replace various condensers and towards compliance.

Bangor, Wisconsin

Located in Bangor, Wisconsin, USA, and operating on approximately 45 hectares of land, the plant specializes in the treating of railway ties. The facilities include three pressure treating cylinders for oil-borne preservatives, providing a combined annual treating capacity of approximately 200,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, a maintenance facility and offices for production, sales and wood procurement personnel.

For the year ended December 31, 2018, capital expenditures at the Bangor plant approximated US$889,000, devoted mainly to a new automated pre-plating machine.

Cameron, Wisconsin

Built in 2016 and situated on approximately 27 hectares of land, the Cameron facility is a state-of-the-art wood preservation facility that commenced production of PCP treated utility poles in February of 2017. The facility includes one pressure treating cylinder for oil-borne preservatives, providing an annual treating capacity of approximately 32,000 cubic metres. Close in proximity to the red pine resource, red pine is the primary species of utility poles treated at the facility. The plant also has the ability to treat Coastal Douglas Fir and Western Red Cedar utility poles. The facility produces primarily for the North American market and is located close to the Union Pacific rail system. It includes a pole peeler, kiln, framing yard, a maintenance facility and offices for production, sales and wood procurement personnel.

In 2018, approximately US$516,000 was dedicated to the purchase of an oil water separator system and additional equipment to enhance efficiencies at the treating plant.

4.5 WOOD SUPPLY

One of the Company's important advantages is its strong wood supply position in key regions of Canada and the United States. During the financial year ended December 31, 2018, the Company obtained its raw material requirements for utility poles from its own timber harvesting licenses (forest licenses and/or timber quotas), state and timber sales, private woodland owners and through purchases of timber on the open market. Wood supply for railway ties and timbers as well as residential lumber are purchased from hundreds of sawmills in various regions throughout Canada and the United States. The Company's strong procurement team has built well established relationships to help ensure a sufficient and competitively priced supply of all of Stella-Jones's raw material.

Forest Tenures

Forest tenures are used primarily by the Company for the procurement of utility poles and other roundwood products.

In British Columbia, the Ministry of Forests, Mines and Lands ("MOF") is responsible for issuing and monitoring tenures which grant the licensee the right to harvest a specific volume of timber on crown lands administered by the MOF. A forest license generally has a term of 15 years and is renewable every 5 years, subject to the licensee satisfactorily performing its administrative, planning, harvesting, silviculture and environmental stewardship operations. Non-renewable forest licenses for a fixed volume to be cut in a specified time may also be granted.

In the Province of Manitoba, the Forestry and Peatlands Management Branch of the Department of Sustainable Development is responsible for the planning and management of Crown land and forests, and determining sustainable limits on when, where and how trees on Crown land in Manitoba are harvested. Cutting authority quota allocations are granted by either Timber Sales Agreements, which are five-year renewable agreements issued for annual quota volumes greater than 300 m^3, or Timber Permits, which are one-year permits issued for annual quota volumes of less than or equal to 300 m^3.

In Québec, timber allocation agreements are referred to as *Garanties d'approvisionnement* ("GA"). In 2016, the Company returned its GA to the *Ministère des Ressources Naturelles* ("Ministère"), as it determined that it was purchasing sufficient volumes of wood supply at reasonable rates through an auction system on public land via the Ministère's timber marketing board, known as the *Bureau de Mise en Marché des Bois*.

The Company currently holds the following forest licenses:

COMPANY'S FOREST LICENSES		
Province	**Allowable Annual Cut (Cubic metres)**	**Term**
British Columbia	138,913	15 years
Manitoba	15,567 [1]	2 years and 5 years

Purchased Timber

In addition to the forest licenses listed above, the Company has several exclusive supply agreements with major licensees and private woodlands owners who hold cutting licenses in British Columbia, Ontario and Québec. The Company is also very active in the state timber sale program in the states of Washington, Oregon and Idaho in the United States. This program makes available to qualified bidders, pole quality raw material located on specific tracts of land. The Company also purchases raw material from hundreds of private land owners within its operating jurisdictions, and in the case of untreated railway ties and residential lumber, through its dealings with hundreds of sawmills in the United States and Canada.

Timber Harvesting

The selection and harvesting of wood poles is a process that allows the Company to harvest selectively individual trees of a quality suitable for poles. In order to have access to as many areas of timberland as possible, the Company has entered into trade agreements with a number of sawmilling and forest products companies in British Columbia and in Québec.

4.6 SALES, MARKETING AND COMPETITIVE CONDITIONS

By the end of the year 2018, there were approximately 52 wood preserving plants operating in Canada and approximately 360 wood preserving plants operating in the United States. The following describes the competitive conditions in which the Company operates as well as its sales and marketing initiatives.

Overview

The Company markets its treated wood products through a network of regional sales representatives throughout Canada and the United States.

The following table sets out the Company's sales by major product group for the financial years ended December 31, 2018 and 2017:

COMPANY'S SALES BY PRODUCT GROUP FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017				
	2018		**2017**	
	(millions of dollars)	**%**	**(millions of dollars)**	**%**
Railway ties	662.4	31.2	651.5	34.5
Utility poles	725.0	34.1	654.0	34.7
Residential lumber	474.7	22.4	366.2	19.4
Industrial products	109.0	5.1	94.5	5.0
Logs and lumber	152.8	7.2	119.9	6.4
TOTAL	**2,123.9**	**100.0**	**1,886.1***	**100.0**

* Numbers may not add exactly due to rounding.

[1] Acquired with the purchase of the operating assets of PFP in 2018. This comprises two 5-year renewable Quota Timber Sales Agreements with a total combined annual cut of 3,067 m^3 per year and a 2-year renewable Special Allocation Timber Agreement having an annual cut of 12,500 m3.

Railway Ties

SJI's multiple locations, wide product offering and reputation for quality and service are significant advantages. Through its long tradition of providing consistent high-quality services, the Company has developed close relationships with the major railways, short line and contractors, and is an important supplier of treated ties to this market in North America.

Utility Poles

Most of the Company's sales of utility poles are through multi-year contracts and in response to public tenders issued by customers, primarily regional electrical and telecommunication companies. The key criteria in successfully obtaining orders are high quality, consistent on-time delivery, customer service and competitive prices. The Company's ability to offer a variety of species and preservatives, combined with its multiple plant locations and large inventories, creates a competitive advantage.

Residential Lumber

This product group is made up primarily of a major big box retailer and numerous other participants varying in size. Opportunities exist for high quality producers who can successfully differentiate their product and service. The Company provides treated residential lumber products to lumber retailers in Canada and the United States for outdoor applications.

Industrial Products

Sales primarily comprise various treated wood products used in construction projects, such as wharf, railway bridges and foundation and marine piling. Products are typically sold directly to end customers, such as railway or construction contractors as well as governmental authorities in response to tenders for a certain quantity and specification of preserved timber for a particular project. Piling sales comprise construction materials used mainly in work projects, including marine and foundation pilings. In addition, the Company sells railway bridge timbers and crossing planks as well as crane mats, which are custom manufactured to the specification of the customer. This category also includes coal tar-based products such as roof pitch and road tar and crosstie recycling services.

Logs and Lumber

In this segment, logs comprise the tie logs harvested in the course of the Company's procurement process which are determined to be unsuitable for use as utility poles. Additionally, in the course of procuring sufficient competitively-priced residential lumber volume, the Company engages in reselling excess lumber into local home-building markets.

Export

The Company's focus is primarily on North American markets. Nonetheless, the Company has had some success in penetrating markets outside North America for the sale of treated wood poles to national telephone and utility companies and railway ties to international mining companies as well as to foreign railway operators. These markets mainly include countries in Latin and South America. SJI's competitive strengths in such markets have included access to guaranteed raw material supply, strategic geographical locations of its treatment plants offering a variety of treating processes, access to shipping ports and extensive experience in international freighting and knowledge of international financing for export sales.

The Company continues to monitor markets outside of Canada and the U.S. and will continue to evaluate export opportunities at price levels that will provide adequate returns for the additional risks inherent in these markets.

COMPANY'S SALES BY REGION FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017				
(audited)	**2018**		**2017**	
	(millions of dollars)	**%**	**(millions of dollars)**	**%**
United States	1,444.3	68.0	1,324.2	70.2
Canada	679.6	32.0	561.9	29.8
TOTAL	**2,123.9**	**100.0**	**1,886.1**	**100.0**

4.7 EMPLOYEES

As at December 31, 2018, the Company had a total of 2,108 employees, of which 541 were salaried non-unionized, 358 were unionized and 1,209 were paid at an hourly rate and non-unionized.

Country	Salaried (Non-Unionized)	Unionized	Paid at hourly Rates (Non-Unionized)	Total
United States	339	91	995	1,425
Canada	202	267	214	683
TOTAL	**541**	**358**	**1,209**	**2,108**

4.8 ENVIRONMENT, HEALTH AND SAFETY POLICY

SJI is committed to sustainable development that requires the protection of human health and the natural environment with the need for economic growth. The Company recognizes the environmental implications of its activities as well as its responsibility to take all reasonable measures in order to conserve and protect the environment, including air, water, land and other natural resources.

Additionally, the Company is committed to the health and safety of its employees and to providing a safe and healthy working environment. To that end, the Company will focus on continuous improvement towards an accident-free workplace through effective administration, education, training and the proper maintenance of its facilities and equipment.

To implement its Environment, Health and Safety Policy, the Company is committed:

- to constructing and operating its facilities in compliance with all applicable rules and regulations, providing for the protection of the environment, employees and the public;
- to working pro-actively in training management and its employees to anticipate problems;
- to applying cost-effective best-management practices to advance environmental protection and employee health and safety;
- to ensuring every employee is properly trained and responsible and accountable within their sector of activity for conducting operations in compliance with SJI's environmental health and safety policy;
- to responding to legitimate concerns made known to it and to participate actively with interested parties in the understanding of environmental as well as health and safety issues and in the development of rational and effective environmental solutions;
- to encouraging research to expand knowledge of the environmental impact of the industry's activities and to improving treatment technologies; and
- to reporting regularly to the Board of Directors with respect to the execution of this policy, including a review of the Company's operations and facilities to ensure compliance.

Environmental Protection and the Promotion of Health and Safety

The Company's Vice-President, Environment and Technology and the Vice-President Environment Health and Safety, U.S. Operations, each lead a team of environmental health and safety professionals who, with the support of regional general managers, local plant managers and dedicated on site health and safety supervisors, manage environmental, health and safety matters to ensure that the Company's programs and policies are carried out efficiently and in compliance with applicable legislation, in order to ensure the protection of the environment, employees and the public.

At each site, trained personnel operate plant waste treatment and environmental protection facilities in such a way as to recover any preservatives for reuse in the manufacturing process. Any discharges are continually monitored and analyzed by qualified laboratory personnel. Complete reports on discharges are made regularly to the appropriate authorities at all locations.

Comprehensive health and safety and environmental protection programs exist at all locations. These programs are upgraded and updated on an ongoing basis to ensure that the best management practices are being used to protect the employees, the public and the environment. Contingency plans are in place to anticipate proper corrective and remedial measures prior to the occurrence of any problems.

The Vice-President, Environmental and Technology, the Vice-President Environment Health and Safety, U.S. Operations, as well as the Vice-President and General Counsel, U.S. Operations report to the Company's Environmental, Health and Safety Committee of the Board of Directors ("EH&S Committee") regarding the Company's activities in relation to environmental protection, risk management and health and safety at each EH&S Committee meeting (the "Environmental Report"). The EH&S Committee communicates the key elements of each Environmental Report to the Board of Directors in all instances.

Under the Lufkin stock purchase agreement, the Company is entitled to set off against the Lufkin Unsecured Vendor Note, any losses incurred arising out of any breach of the sellers' representations or warranties or any third-party environmental claim made in respect of pre-closing operations or periods occurring prior to the closing date of the transaction. The set off rights are subject to a deductible as well as a cap equal to the then-current amount remaining unpaid under the Lufkin Vendor Note. Environmental representations and warranties survive for five years following the closing date of the transaction.

Under the Kisatchie securities purchase agreement, the Company is entitled to set off against the Kisatchie Unsecured Vendor Note, any losses incurred arising out of any breach of the sellers' representations or warranties or any third-party environmental claim made in respect of pre-closing operations or periods occurring prior to the closing date of the transaction. The set off rights are subject to a deductible as well as a cap equal to the then-current amount remaining unpaid under the Kisatchie Vendor Note. Environmental representations and warranties survive for five years following the closing date of the transaction.

Under the WPI Purchase Agreement, the seller has agreed, for specific durations, to provide the Company with specified indemnities up to a certain maximum dollar amount arising from its breach of representations or warranties (together, "Breaches") which exceed a minimum dollar threshold. The Company is entitled to set off its claims against a retained purchase price holdback amount for losses arising out of such Breaches and for certain environmental claims in relation to seller's preclosing operations.

Under the PFP Purchase Agreement, the seller has agreed to indemnify the Company for certain losses due to breach of representations and for certain undisclosed environmental matters stemming from seller's operations preceding the closing of the transaction. Indemnities must exceed a certain minimum threshold to be claimed and are up to a maximum dollar amount specified. The Company is entitled to claim against a portion of the purchase price, which is being held in trust for a definitive period set out in the Agreement.

Under the WP Purchase Agreement, the sellers have agreed to provide indemnifications for stated applicable periods, up to specified amounts for certain liabilities arising out of their operations prior to closing, once total claims by the Company exceed a minimum threshold, in the aggregate.

4.9 RISK FACTORS

Economic Conditions

A negative change in economic conditions may affect most or all of the markets the Company serves, reducing demand for its products and adversely affecting its operating results. These economic conditions may also impact the financial condition of one or more of the Company's key suppliers, which could affect its ability to secure raw materials and components to meet its customers' demand for its products.

Dependence on Major Customers

The Company is dependent on major customers for a significant portion of its sales, and the loss of one or more of its major customers could result in a significant reduction in its profitability. For the year ended December 31, 2018, the Company's top ten customers accounted for approximately 44.2% of its sales. During this same period, the Company's largest customer accounted for approximately 16.6% of its total sales and is associated to the residential lumber product category while the second largest customer accounted for approximately 9.3% of total sales and is associated to the railway tie product category.

Availability and Cost of Raw Materials

Management considers that the Company may be affected by potential fluctuations in wood prices. While the Company has entered into long-term cutting licenses and benefits from long-standing relationships with private woodland owners and other suppliers, there can be no assurance that such licenses will be respected or renewed on expiry, or that its suppliers will continue to provide adequate timber to the Company.

In addition, there are a limited number of suppliers for certain of the preservatives that the Company employs in its production process, which lessens the availability of alternate sources of supply in the event of unforeseen shortages or disruptions of production. While the Company is mitigating this risk by researching and identifying alternate suppliers outside of its traditional sources of supply, there can be no assurance that it will be able to secure the supply of all materials required to manufacture its products. The Company may also enter into certain commodity hedges, where available, for a percentage of forecasted needs in order to help ensure stable production costs.

Environmental Risk

The Company is subject to a variety of environmental laws and regulations, including those relating to emissions to the air, discharges into water, releases of hazardous and toxic substances, and remediation of contaminated sites. These environmental laws and regulations require the Company to obtain various environmental registrations, licenses, permits and other approvals, as well as carry out inspections, compliance testing and meet timely reporting requirements in order to operate its manufacturing and operating facilities.

Compliance with these environmental laws and regulations will continue to affect the Company's operations by imposing operating and maintenance costs and requiring capital expenditures. Failure to comply could result in civil or criminal enforcement actions, which could result, among others, in the payment of substantial fines, often calculated on a daily basis, or in extreme cases, the disruption or suspension of operations at the affected facility.

Under various federal, provincial, state and local laws and regulations, the Company could, as the owner, lessor or operator, be liable for the costs of removal or remediation of contamination at its sites. The remediation costs and other costs required to clean up or treat contaminated sites could be substantial. However, in certain cases, the Company benefits from indemnities from the former owners of its sites.

Contamination on and from the Company's sites may subject it to liability to third parties or governmental authorities for injuries to persons, property or the environment and could adversely affect the Company's ability to sell or rent its properties or to borrow money using such properties as collateral.

The possibility of major changes in environmental laws and regulations is another risk faced by the Company. While it is not possible to predict the outcome and nature of these changes, they could substantially increase the Company's capital expenditures and compliance costs at the facilities affected.

While the Company has been party to environmental litigation, which has included, among others, claims for adverse physical effects and diminution of property value, the outcomes and associated costs have not been material. There is, however, no guarantee that this will continue to be the case in the future, as the result of disputes regarding environmental matters and conclusions of environmental litigation cannot be predicted.

The Company's business has grown, and its image strengthened, in large part by its consistent production and delivery of high-quality products, while maintaining as well, a high level of environmental responsibility. Claims of irresponsible practices by regulatory authorities, communities or customers could harm the reputation of the Company. Adverse publicity resulting from actual or perceived violations of environmental laws, regulations or industry practices could negatively impact customer loyalty, reduce demand, lead to a weakening of confidence in the marketplace and ultimately, a reduction in the Company's share price. These effects could result even if the allegations are not valid and the Company is not found liable.

Risks Related to Acquisitions

As part of its growth strategy, the Company intends to acquire additional complementary businesses where such transactions are economically and strategically justified. There can be no assurance that the Company will succeed in effectively managing the integration of other businesses which it might acquire. If the expected synergies do not materialize, or if the Company fails to successfully integrate such new businesses into its existing operations, this could have a material adverse effect on the Company's business, operating results, profitability and financial position. The Company may also incur costs and direct Management's attention towards potential acquisitions which may never be consummated.

In addition, although the Company performs due diligence investigations in connection with its acquisitions, an acquired business could have liabilities that the Company fails or is unable to uncover prior to acquisition and for which the Company may be responsible. Such liabilities could have a material adverse effect on the Company's business, operating results, profitability and financial position.

Litigation Risk

The Company is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Regardless of outcome, litigation could result in substantial costs to the Company. In addition, litigation could divert Management's attention and resources away from the day-to-day operations of the Company's business.

Insurance Coverage Risk

The Company maintains property, casualty, general liability and workers' compensation insurance, but such insurance may not cover all risks associated with the hazards of its business and is subject to limitations, including deductibles and maximum liabilities covered. The Company may incur losses beyond the limits, or outside the coverage, of its insurance policies, including liabilities for environmental compliance and remediation. In addition, from time to time, various types of insurance coverage for companies in the Company's industry have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, the Company may not be able to obtain coverage at current levels, and its premiums may increase significantly on coverage that it maintains.

Currency Risk

The Company is exposed to currency risks due to its export of certain goods manufactured in Canada. The Company strives to mitigate such risks by purchases of raw materials denominated in U.S. dollars for use in its Canadian manufacturing process. The Company may also use foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. The use of such currency hedges involves specific risks including the possible default by the other party to the transaction or illiquidity. Given these risks, there is a possibility that the use of hedges may result in losses greater than if hedging had not been used.

Interest Rate Fluctuation Risk

As at December 31, 2018, 96.0% of the Company's long-term debt was at fixed interest rates, therefore reducing the Company's exposure to interest rate risk. The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its long-term debt, subject to floating interest rates. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as cash flow hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps agreements. However, if interest rates increase, the debt service obligations on the variable rate indebtedness of the Company would increase even though the amount borrowed remained the same, and this could have an adverse effect on the Company's business operating results, profitability and financial position.

Customers' Credit Risk

The Company carries a substantial level of trade accounts receivable on its statement of financial position. This value is spread amongst numerous contracts and clients. Trade accounts receivable include an element of credit risk should the counterparty be unable to meet its obligations. Although the Company reduces this risk by dealing primarily with Class 1 railroad operators, large retailers and large-scale utility providers, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

Cyber and Information Technology Risk

The Company relies on information technology to process, transmit and store electronic data in its daily business activities. Despite its security design and controls, and those of third-party providers, the Company's information technology and infrastructure may be vulnerable to cyber-attacks by hackers or breach due to employee error, malfeasance or other disruptions. Any such breach could result in operational disruption and increased costs or the misappropriation of sensitive data that could disrupt operations, subject the Company to litigation and have a negative impact on its reputation. To limit exposure to incidents that may affect confidentiality, integrity and availability of information, the Company has invested in data privacy controls, threat protections as well as detection and mitigation policies, procedures and controls. In addition, the Company relies on certain information technology systems to operate, and any disruption to such systems could cause a disruption to daily operations while the systems are being repaired or updated.

Corporate Tax Risk

In estimating the Company's income tax payable, Management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that tax benefits or tax liability will not materially differ from these estimates or expectations. The tax legislation, regulation and interpretation that apply to the Company's operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business in the various jurisdictions in which Stella-Jones operates. Moreover, the Company's tax returns are continually subject to review by applicable tax authorities. These tax authorities determine the actual amounts of taxes payable or receivable, any future tax benefits or liabilities and the income tax expense that Stella-Jones may ultimately recognize. Such determinations may become final and binding on the Company. Any of the above factors could have a material adverse effect on net income or cash flow.

ITEM 5 DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS

5.1 DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS

On March 15, 2016, April 27, 2016, August 9, 2016 and November 7, 2016, the Board of Directors declared quarterly dividends of $0.10 per Common Share. On March 16, 2017, May 3, 2017, August 8, 2017 and November 2, 2017, the Board of Directors declared quarterly dividends of $0.11 per Common Share. On March 13, 2018, May 2, 2018, August 7, 2018 and November 1, 2018 the Board of Directors declared a quarterly dividend of $0.12 per Common Share. On March 14, 2019, the Board of Directors declared a quarterly dividend of $0.14 per Common Share.

5.2 POLICY AND RESTRICTIONS

The Company's dividend policy provides that the Company consider a dividend on a quarterly basis. All decisions by the Company's Board of Directors regarding the payment of dividends continue to be subject to its financial covenants as well as other factors such as the Company's financial performance and cash requirements. Additionally, the Company's banking arrangements prohibit the Company from paying dividends aggregating in any one year in excess of 50.0% of the Company's consolidated net income for the preceding year if the total debt to Earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio is greater than 3.25:1. In the case where the total debt to EBITDA ratio is lower than 3.25:1, there are no restrictions to the payment of dividends, so long as the Company is otherwise in compliance with the terms of its credit agreement. Although the Company has historically declared regular cash dividends on the Common Shares, there is no assurance that the Board of Directors of the Company will not reduce, defer or eliminate the dividend in the future.

ITEM 6 DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. As of March 14, 2019, there were 69,125,146 Common Shares issued and outstanding and no outstanding Preferred Shares.

The Common Shares provide for the right to receive notice of, attend and vote at all meetings of shareholders and receive dividends, subject to the prior rights of the Preferred Shares and any other shares ranking senior to the Common Shares. The Common Shares are subordinated to the Preferred Shares and any other shares ranking senior to the Common Shares in their entitlement to receive the property and assets of the Company in the event of a dissolution, liquidation, or winding up of the Company.

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

ITEM 7 MARKET FOR SECURITIES

7.1 TRADING PRICE AND VOLUME

The Common Shares of the Company are listed on the Toronto Stock Exchange and are identified under the symbol "SJ". The following table sets forth the market price range, in Canadian dollars, and trading volumes of the Company's Common Shares on the Toronto Stock Exchange for each month of the most recently completed financial year.

FISCAL YEAR ENDED DECEMBER 31, 2018				
Month (2018)	**High $**	**Low $**	**Close $**	**Volume Traded**
January	52.22	47.60	51.79	1,879,985
February	48.91	46.23	47.75	3,026,750
March	48.01	42.90	45.51	2,913,830
April	46.60	44.80	46.53	1,774,725
May	48.50	44.85	46.79	1,897,910
June	48.67	46.10	47.89	1,861,500
July	48.61	43.45	43.45	3,007,887
August	45.70	43.53	44.67	3,556,609
September	45.12	43.10	43.24	2,921,305
October	43.67	41.51	42.16	3,975,945
November	44.46	38.56	40.14	3,601,716
December	40.30	37.40	39.61	2,233,968

ITEM 8 DIRECTORS AND OFFICERS

The tables below set forth the name, place of residence and position held within the Company of the Company's directors and executive officers, the principal occupation(s) and term of office of each director, the period or periods during which each director has served, as well as the number of Common Shares beneficially held, directly or indirectly, or over which control or direction is exercised by each director of the Company as at March 14, 2019. Each director is elected at the annual meeting of the shareholders to serve until the next annual meeting or until a successor is elected or appointed. Officers are appointed annually and serve at the discretion of the Board of Directors. The Company has an audit committee, a remuneration committee, an environmental, health and safety committee and a governance and nomination committee. The Company does not have an executive committee.

8.1 NAME, ADDRESS, OCCUPATION AND SECURITY HOLDING

Name and Place of Residence	**Office held with the Company**	**Director since**	**Principal Occupation(s)**	**Number of Common Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised**
George J. Bunze, CPA, CMA [1,2,3] Québec, Canada	Director	May 2001	Vice-Chairman and Director, Kruger Inc. (manufacturer of paper, tissue, wood products, energy (hydro/wind) and wine and spirits products)	42,500 [4]
Karen Laflamme, FCPA, FCA, ASC [1] Québec, Canada	Director	December 2018	Executive Vice-President and Chief Financial Officer, Retail, of Ivanhoé Cambridge	2,000
Katherine A. Lehman New York, U.S.A.	Director	October 2016	Managing Partner at Hilltop Private Capital LLC (private equity firm)	4,000
James A. Manzi, Jr.[1,2] Florida, U.S.A.	Director	April 2015	Corporate Director	5,000
Brian McManus Québec, Canada	President, Chief Executive Officer and Director	June 2001	President and Chief Executive Officer, Stella-Jones Inc.	59,759
Nycol Pageau-Goyette [1,2,3,5,6] Québec, Canada	Director	July 1993	President, Pageau Goyette et associés limitée (management services firm)	21,700
Simon Pelletier [1,3,5] Québec, Canada	Director	May 2012	Senior Vice-President, North American Sales and Operations, Metso (manufacturer of minerals processing equipment and service provider to the mining and construction industries)	4,000
Daniel Picotte [5, 6] Québec, Canada	Director	July 1993	Partner, Fasken Martineau DuMoulin LLP (law firm)	35,000
Mary Webster [5] Minnesota, U.S.A.	Director	May 2007	Corporate Director	22,600

Within the five preceding years, each of the foregoing has held the same or similar position with the entities indicated, with the exception of Katherine A. Lehman and Karen Laflamme. While at Lincolnshire Management Inc. between 2001 and 2016, Ms. Lehman served as managing director from 2009 to 2016. Karen Laflamme served as Executive Vice-President, Corporate Management and Institutional Affairs at Ivanhoé Cambridge from 2012 to 2015.

[1] Member of the Audit Committee.
[2] Member of the Remuneration Committee.
[3] Member of the Governance and Nomination Committee.
[4] Mrs. Kathleen Bunze, wife of Mr. George J. Bunze, owns an additional 1,000 shares of the Company.
[5] Member of the Environmental, Health and Safety Committee.
[6] Stepping down as Board member in May 2019.

8.2 EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Name and municipality of residence	Position within the Company
George Caric Irwin, Pennsylvania	Vice-President, Marketing, SJ Corporation
Kevin Comerford Edgewood, Washington	Vice-President, Poles and Residential Sales, McFarland
André Daigle East-Farnham, Québec	Vice-President, Central Region, SJI
W.G. Downey, Jr. Reedy, West Virginia	Vice-President, U.S. Tie Procurement, SJ Corporation
Marcel Driessen Auburn, Washington	Vice-President, Human Resources, SJ Corporation / McFarland
Marla Eichenbaum Hampstead, Québec	Vice-President, General Counsel and Secretary, SJI
Ian Jones Vernon, British Columbia	Senior Vice-President, McFarland and Senior Vice-President, SJI
James Kenner Olathe, Kansas	Vice-President and General Counsel, U.S. Operations, SJ Corporation
Patrick Kirkham Aliquippa, Pennsylvania	Vice-President, Operations, SJ Corporation
Wayne Kusmierczyk Boyce, Louisiana	Vice-President, Operations (Southern Yellow Pine), McFarland
Andy Morgan Gig Harbor, Washington	Vice-President, Operations (Western Species), McFarland
Gordon Murray North River, Nova Scotia	Vice-President, Environment and Technology and General Manager, Atlantic Region, SJI
Jim Raines Spencer, West Virginia	Vice-President, Sales, SJ Corporation
Patrick Stark Tarentum, Pennsylvania	Vice-President, Environment, Health and Safety, U.S. Operations SJ Corporation
Michael Sylvester Grenada, Mississippi	Senior Vice-President, SJ Corporation
Éric Vachon, CPA, CA Pointe Claire, Québec	Senior Vice-President and Chief Financial Officer, SJI
David Whitted Lufkin, Texas	Vice-President, Sales Operations, SJ Corporation
Jon Younce Stanwood, WA	Vice-President, U.S. Fibre & Transportation /Logistics, McFarland
Ron Zeegers Carseland, Alberta	Vice-President, Operations, Western Canada, SJI

As of March 14, 2019, the directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over approximately 248,882 Common Shares, representing approximately 0.4 % of all the issued and outstanding shares of the Company.

The principal occupations over the past five years of the Company's executive officers who have not served in their current principal capacities for over five years are given below:

André Daigle has served as Vice-President, Central Region of SJI since October 2015 and was the Director of the Company's Central Region from July to October of 2014. From June of 2010 to July 2014, Mr. Daigle held the position of Assistant Corporate Controller of the Company.

W.G. Downey Jr. held the position of Vice-President, Manufacturing of SJ Corporation from January 1, 2011 to December 31, 2014. Mr. Downey currently holds the position of Vice-President, U.S. Tie Procurement for SJ Corporation.

Marcel Driessen has served as Vice-President, Human Resources since October 2016. Prior thereto, he held the position of Director of Human Resources for McFarland, beginning in December 2012.

Ian Jones has served as Senior Vice-President of the Company since 2016 and of McFarland, since it was acquired in November of 2012.

Patrick Kirkman has served as Vice-President of Operations of SJ Corporation since January 2016 and was its Director of Operations from June 2014 through January 2016. From August 2010 through June 2014, Mr. Kirkman served as Senior Manager of Environmental, Health and Safety.

Wayne Kusmierczyk has served as Vice-President, Operations (Southern Yellow Pine) of McFarland since April of 2018. He held the position of Plant Manager at both the Alexandria, Louisiana and Fulton, Kentucky wood treating facilities between 2010 and 2018.

Andy Morgan was named Vice-President, Operations (Western Species) of McFarland in January 2019. From July of 2014 to January of 2016, he served as Plant Manager of the Company's Tacoma, Washington facility. In January 2016 he was promoted to Director of U.S. Western Operations and served in that capacity until January of 2019.

Jim Raines has served as Vice-President, Sales of SJ Corporation since January of 2016. Prior thereto, he was Director of Commercial Marketing from December 2014 until December 2015. Mr. Raines held the position of Railroad Sales Regional Manager of SJ Corporation from October 2010 until November 2014.

Patrick Stark has served as Vice-President, Environment, Health and Safety, U.S. Operations of SJ Corporation since April of 2018. From 2010 to early 2018, he held the position of Director, Environment, Health and Safety with SJ Corporation.

Michael Sylvester has served as Senior Vice-President of SJ Corporation since January 1, 2015. Between April 1, 2010 and December 31, 2014, he served as SJ Corporation's Vice-President, Operations.

David Whitted has served as Vice-President, Sales Operations for SJ Corporation since December 2015. From December 2014 until November 2015, he held the position of Director, Production Planning and Sales Management and between October 2010 and November 2014, Mr. Whitted was SJ Corporation's Director of Marketing and Sales.

Jon Younce has served as Vice-President, U.S. Fibre & Transportation/Logistics of McFarland since January of 2018. Prior thereto, he served as Vice-President, U.S. Fibre & Pole Production of McFarland beginning May 2013.

Ron Zeegers has served as Vice-President, Operations, Western Canada of the Company since January 2015 and served as Vice-President, Operations of Stella-Jones Canada Inc. between December 2012 and December 2014.

ITEM 9 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

9.1 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Tom A. Bruce Jones, Chair of the Company until August 14, 2018, owned approximately 32.0% of the voting shares of James Jones & Sons Limited, which held 49.0% of the voting shares of Stella Jones International S.A. ("SJ International"), the principal shareholder of the Company until August 14, 2018. Gianni Chiarva, Vice-Chairman of the Company until August 14, 2018, together with his associates, exercises control or direction, directly or indirectly, over all the shares of Stella International, which holds 51.0% of the shares of SJ International.

On January 31, 2018, the Company and SJ International, which at the time held 38.3% of the issued and outstanding common shares of the Company, entered into an agreement with a syndicate of underwriters co-led by Morgan Stanley Canada Limited and TD Securities Inc., as joint book runners (together, the "Underwriters"), relating to a secondary offering by SJ International, pursuant to which SJ International agreed to sell, and the Underwriters agreed to purchase, on a bought deal basis, 5,000,000 of the Company's common shares held by SJ International at an offering price of $48.50 per share ("Offering Price"). SJ International also granted the Underwriters an over-allotment option, exercisable for a period of 30 days following the Closing Date (as hereinafter defined) to purchase up to an additional 750,000 common shares at the Offering Price to cover all over-allotments, if any. The secondary offering was completed on February 21, 2018 (the “Closing Date”). After giving effect to this offering but before giving effect to the exercise of the over-allotment option, SJ International owned approximately 21,572,836 common shares of the Company, representing approximately 31.1% of its outstanding common shares. The Company did not receive any proceeds from this offering.

On July 24, 2018 the Company and SJ International announced that they had entered into an agreement with a syndicate of underwriters led by TD Securities Inc., as sole book runner, relating to a secondary offering by SJ International, on a bought deal basis, of 8,445,911 common shares of the Company at an offering price of $40.63 per common share (“Public Offering”).

Concurrently, SJ International sold, on a private placement basis, 13,126,925 common shares, at the same price as the Public Offering (“Concurrent Private Placement”). TD Securities acted as sole book runner and sole agent on the Concurrent Private Placement. Additionally, Mr. Brian McManus, President and CEO of the Company, purchased 50,000 common shares as part of the Concurrent Private Placement.

Immediately following the August 14, 2018 closing of the Public Offering and Concurrent Private Placement, SJ International ceased to be a shareholder of the Company and Mr. Tom A. Bruce Jones and Mr. Gianni Chiarva resigned from the Board of Directors.

ITEM 10 AUDIT COMMITTEE DISCLOSURE

10.1 COMPOSITION OF THE AUDIT COMMITTEE AND RELEVANT EDUCATION AND EXPERIENCE

The Company’s Audit Committee is composed of Mr. George J. Bunze (Chair), Ms. Karen Laflamme, Mr. James A. Manzi, Jr., Ms. Nycol Pageau-Goyette and Mr. Simon Pelletier. All members of the Committee are “independent” and “financially literate” within the meaning of Multilateral Instrument 52-110 *Audit Committees.*

Mr. George J. Bunze, a Chartered Professional Accountant (CPA, CMA) since May 1968, is the former Chief Financial Officer of Kruger Inc. (“Kruger”), a manufacturer of paper, tissue, wood products, energy (hydro/wind) and wine and spirits products. Mr. Bunze currently serves as a Director and Vice-Chairman of Kruger, is a member of its Executive Committee and is also Chairman of its Audit Committee Advisory Board. Mr. Bunze previously served as Chairman of the Board and Chairman of the Audit and Corporate Governance and Nominating Committee of Intertape Polymer Group Inc. and was a member of the FM Global Advisory Committee of the Board of Factory Mutual Insurance Company.

Mr. James A. Manzi, Jr. is a graduate of the Georgetown University School of Foreign Service and holds a Juris Doctor degree from the Georgetown University Law Center. Prior to his retirement in 2015, Mr. Manzi was engaged in the practice of law for 40 years. During that time, he represented both national and international clients in the areas of commercial real estate, corporate law, corporate finance, project finance and mergers and acquisitions. For the last 10 years prior to his retirement, Mr. Manzi was a Partner in the Boston and Tampa offices of Foley & Lardner, LLP, a national law firm with close to 1,000 lawyers headquartered in Milwaukee, Wisconsin. During that time, he was lead counsel in several middle market multi-million-dollar M&A transactions.

Ms. Nycol Pageau-Goyette is a graduate of the *Université de Montréal* and is a fellow certified administrator. She has founded and has been the main shareholder of companies operating in the fields of management (servicing not-for-profit organizations) and the environment (processing and recycling wastes from pharmaceutical and cosmetic companies). She has served as director on various boards of public and private companies and has chaired the audit committee of the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, a venture capital firm.

Mr. Simon Pelletier holds a Bachelor of Materials Engineering from the University of Windsor and is Senior Vice-President, North American Sales & Operations for Metso. With over 25 years of experience, Mr. Pelletier is responsible for 500 million Euro of equipment sales and services to the mining and aggregate industries. Mr. Pelletier's responsibilities also include the execution of service operations and detailed service contracts at mining and mineral processing sites. Listed on the Helsinki Stock Exchange, Metso is a global supplier of technology and services to the mining, construction, and oil & gas industry with annual sales of approximately 3.0 billion Euro and employs approximately 12,000 people globally.

Ms. Karen Laflamme holds a Bachelor's Degree in Business Administration (BBA) from HEC Montreal and has been a member of the Quebec CPA order since 1986 (CA). She holds the designation of certified corporate director and was named fellow of the Quebec Order of Chartered Professional Accountants (FCPA) in 2012. Since 2016, she has served as Executive Vice-President and Chief Financial Officer, Retail, of Ivanhoé Cambridge ("Ivanhoé"), an investor and developer of superior quality real estate properties, projects and companies around the world. She joined Ivanhoé in 2012, where she has served in various roles, including Executive Vice-President, Corporate Management & Institutional Affairs, where she was responsible for investor relations, internal audit and integrated risk management.

10.2 MANDATE OF THE AUDIT COMMITTEE

The mandate of the Audit Committee is to advise and assist the Board of Directors of the Company on financial matters. As such, the Audit Committee is responsible, among others, to make recommendations to the Board of Directors with respect to the nomination and remuneration of external auditors, to review the financial reporting process, to review the internal control procedures of the Company, to assess the Company's compliance with International Financial Reporting Standards (IFRS) and to advise the Board of Directors thereon.

In performing its duties, the Audit Committee maintains effective working relationships with the Board of Directors, Management and the external auditors. The mandate of the Audit Committee is attached to this AIF at Appendix "I".

10.3 PRE-APPROVAL POLICIES AND PROCEDURES

On May 5, 2004, the Audit Committee approved, and later amended in November 2013, procedures for approval of audit and non-audit services by the external auditors ("Procedures"). In summary, the Procedures state that the engagement for the annual audit of the Company's consolidated financial statements is specifically approved on an annual basis by the execution of the audit engagement letter with the auditors.

Engagements of the audit firm involving services for any of the Company's entities that fall into the following service definitions are pre-approved by the Audit Committee so long as the fees for each particular engagement are expected to be less or equal to a total of $100,000.

- tax services such as tax compliance, tax consulting transfer pricing, customs and duties, expatriate tax services; and
- other services such as due diligence and forensic investigations.

In cases of pre-approval, the Chair of the Audit Committee is to be notified expeditiously of any such services commenced by the auditors.

In respect of services under the preceding paragraph, where the fees for a particular engagement are expected to exceed a total of $100,000, SJI's management and/or its auditors must seek specific pre-approval by the Audit Committee of the engagement of the auditors. Where particular pre-approval is required, the Audit Committee has delegated the authority to effect such pre-approval to the Chair of the Audit Committee.

10.4 External Auditor Service Fees

The following table sets out the fees billed to the Company by PricewaterhouseCoopers LLP for the last two fiscal years for various professional services:

FEES	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
Audit Fees	$872,813	$875,000
Audit Related Fees	$404,250	$102,389
Tax Service Fees	$173,611	$342,715
Other Fees	$212,245	$15,047
TOTAL	**$1,662,919**	**$1,335,151**

Audit Fees

The services comprising these fees include the audit of consolidated financial statements and statutory audits, tax services and accounting consultations required to perform the audit in accordance with Canadian Generally Accepted Auditing Standards.

Audit Related Fees

These fees apply, among others, to financial due diligence in connection with acquisitions and consultations regarding financial reporting and accounting standards.

Tax Fees

These fees include professional services for tax compliance, such as the preparation and review of tax returns, filings and forms as well as consultations regarding required disclosures and elections, among others, and tax advice on mergers and acquisitions.

Other Fees

These fees represent the total fees billed to the Company for all services other than those presented under audit fees, audit related fees and tax fees.

ITEM 11 TRANSFER AGENT

The Company's transfer agent and registrar is Computershare Investor Services Inc. ("Computershare") The register of transfers of the Common Shares of SJI maintained by Computershare is located at its offices in Montréal, Québec.

ITEM 12 MATERIAL CONTRACTS

While not constituting material transactions, particulars of the February and April 2018 acquisitions of the wood treating operations of PFP and WP, respectively, are provided in this AIF at Item 3.1 "Three Year History".

On January 31, 2018, the Company and SJ International, its principal shareholder at the time, entered into an underwriting agreement with a syndicate of Underwriters. Particulars of this transaction are provided in Item 9.1 "Interest of Management and others in Material Transactions".

On July 24, 2018, the Company and SJ International, its principal shareholder at the time, announced that they had entered into an agreement with a syndicate of underwriters led by TD Securities Inc. as sole book runner. Particulars of this transaction are provided in Item 9.1 "Interest of Management and others in Material Transactions".

ITEM 13 INTERESTS OF EXPERTS

13.1 NAMES OF EXPERTS

The Company's auditors are PricewaterhouseCoopers LLP, Partnership of Chartered Professional Accountants, who have prepared the Independent Auditor's Report to the shareholders of SJI on page 44 of the Company's 2018 annual report. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

ITEM 14 ADDITIONAL INFORMATION

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

Additional information, including information regarding directors' and officers' remuneration and indebtedness, principal holders of securities of the Company, and securities authorized for issuance under equity compensation plans, if applicable, 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 is provided in the Company's consolidated financial statements and Management's Discussion & Analysis for its most recently completed financial year.

APPENDIX "I"

STELLA-JONES INC.
("the Corporation")

AUDIT COMMITTEE MANDATE

1. **Formation.** The Board of Directors may appoint annually from its members an Audit Committee consisting of such number of members as the Board of Directors may from time to time determine, but not less than three.

   The Audit Committee shall determine its own organization and procedure, except as provided in the By-Laws of the Corporation or as may be otherwise determined by the Board of Directors.

2. **Tenure and office.** All members of the Audit Committee shall be appointed by the Board of Directors. The Board of Directors may remove from office any member of the Audit Committee, with or without cause. Any vacancy in the membership of the Audit Committee may be filled by the Board of Directors. All members of the Audit Committee shall cease to be in office at the close of each annual meeting of shareholders.

3. **Powers.** The Audit Committee shall advise and assist the Board of Directors on financial matters, including, without limiting the generality of the foregoing, the following:

   - review the recommendations of the officers of the Corporation as to the appointment of external auditors, verify the independence of the external auditors and make recommendations to the Board of Directors with respect to the nomination and remuneration of external auditors to be appointed at each annual meeting of shareholders;
   - oversee the work of the external auditors engaged for the purpose of preparing or issuing an independent auditor's report or performing other audit review or attest services for the Corporation, including the approval of the annual audit plan and the resolution of disagreements between management and the external auditors regarding financial reporting;
   - review with the external auditors the scope and timing of their audit services and any other services they are asked to perform, their report on the Corporation's accounts following completion of the audit and the Corporation's policies and procedures with respect to internal accounting and financial controls, discussion of quality and depth of staffing in the accounting and financial departments, discussion of implementation of new accounting systems (e.g. computers), discussion of recent prospective releases of the Canadian Institute of Chartered Accountants and their impact on the Corporation's financial statements, discussion of the need to extend the audit examination into areas beyond those required under a normal statutory audit;
   - pre-approve all non-audit services in excess of $100,000 to be provided to the Corporation or its subsidiary entities by the Corporation's external auditors;
   - review the audited annual financial statements, the unaudited interim quarterly financial statements, the annual and interim management's discussion and analysis, the interim and annual CEO and CFO certifications and the annual and interim earnings press releases of the Corporation and report thereon to the Board of Directors of the Corporation before approval thereof by the Board of Directors and prior to disclosure thereof to securities authorities, shareholders and the public;
   - see, to its satisfaction, that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements and periodically assess the adequacy of those procedures;

- review the internal control procedures of the Corporation and advise the directors on auditing practices and procedures as part of the responsibility of directors to meet their moral and legal responsibilities to the Corporation;
- review the Corporation's compliance with International Financial Reporting Standards and advise the Board of Directors thereon;
- meet on a regular basis with the Corporation's Manager, Internal Audit and provide internal audit stewardship;
- review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- review the accuracy and reliability of data to be disclosed to interested parties;
- review the relationship among external auditors, internal auditors, if any, and employees; and
- review management plans regarding any requirements for revised accounting practices.

4. **Accountability of external auditors.** The external auditors are ultimately accountable to the Board of Directors and the Audit Committee as representatives of shareholders.

5. **Signed resolution.** A resolution in writing signed by all the members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee is as valid as if it had been passed at a meeting of the Audit Committee. A copy of every resolution referred to in this paragraph shall be kept with the minutes of the meetings of the Audit Committee.

6. **Chair, quorum and procedure.** The Audit Committee shall have the power to appoint a Chair and a Vice-Chair, to fix its quorum, which quorum shall consist of not less than a majority of its members, and to determine its procedure.

7. **Meetings.** Meetings of the Audit Committee may be held at the registered office of the Corporation or at such other places within or without Canada as the Audit Committee may from time to time determine. Meetings of the Audit Committee may be called by or by the order of the President of the Corporation, the Chairman of the Audit Committee, or any two (2) members thereof.

Reviewed and approved by the Board of Directors on December 11, 2018.