

STELLA-JONES INC.

**ANNUAL INFORMATION FORM
For the financial year ended December 31, 2014**

March 20, 2015

TABLE OF CONTENTS

ITEM 1	DATE OF ANNUAL INFORMATION FORM.....	3
ITEM 2	CORPORATE STRUCTURE.....	3
2.1	NAME AND INCORPORATION	3
2.2	INTERCORPORATE RELATIONSHIPS	3
ITEM 3	GENERAL DEVELOPMENT OF THE BUSINESS.....	4
3.1	THREE YEAR HISTORY	4
ITEM 4	DESCRIPTION OF THE BUSINESS.....	6
4.1	GENERAL	6
4.2	DESCRIPTION OF PRODUCT GROUPS AND SERVICES	6
4.3	DESCRIPTION OF MANUFACTURING PROCESS	7
4.4	MANUFACTURING OPERATIONS.....	7
4.5	WOOD SUPPLY	15
4.6	SALES, MARKETING AND COMPETITIVE CONDITIONS	17
4.7	EMPLOYEES	18
4.8	ENVIRONMENT, HEALTH AND SAFETY POLICY	19
4.9	RISK FACTORS	20
ITEM 5	DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS	24
5.1	DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS ⁽¹⁾	24
5.2	POLICY AND RESTRICTIONS	24
ITEM 6	DESCRIPTION OF CAPITAL STRUCTURE.....	24
6.1	GENERAL DESCRIPTION OF CAPITAL STRUCTURE	24
ITEM 7	MARKET FOR SECURITIES.....	25
7.1	TRADING PRICE AND VOLUME.....	25
ITEM 8	DIRECTORS AND OFFICERS.....	25
8.1	NAME, ADDRESS, OCCUPATION AND SECURITY HOLDING	26
8.2	CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS.....	29
ITEM 9	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	29
9.1	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ⁽¹⁾	29
ITEM 10	AUDIT COMMITTEE DISCLOSURE	30
10.1	COMPOSITION OF THE AUDIT COMMITTEE AND RELEVANT EDUCATION AND EXPERIENCE	30
10.2	MANDATE OF THE AUDIT COMMITTEE	31
10.3	PRE-APPROVAL POLICIES AND PROCEDURES	31
10.4	EXTERNAL AUDITOR SERVICE FEES	32
ITEM 11	TRANSFER AGENT.....	32
ITEM 12	MATERIAL CONTRACTS.....	33
12.1	MATERIAL CONTRACTS.....	33
ITEM 13	INTERESTS OF EXPERTS.....	33
13.1	NAMES OF EXPERTS	33
ITEM 14	ADDITIONAL INFORMATION.....	33
APPENDIX “1”	34

ITEM 1 DATE OF ANNUAL INFORMATION FORM

This Annual Information Form (“AIF”) is dated as of March 20, 2015. Unless otherwise indicated, the information contained in this AIF is stated as at December 31, 2014.

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. (“Guelph”).

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, 2014, Stella-Jones Corporation (“SJ Corporation”), McFarland Cascade Holdings, Inc. (“McFarland”), McFarland Cascade Pole & Lumber Company (“MCPL”), Cascade Pole and Lumber Company (“Cascade”), Electric Mills Wood Preserving LLC (“Electric Mills”); SJ Canada⁽¹⁾, Guelph⁽²⁾, Stella-Jones U.S. Holding Corporation (“SJ Holding”), Stella-Jones U.S. Finance Corporation (“SJ Finance”), 4552822 Canada Inc. (“Canco 1”), 4552831 Canada Inc. (“Canco 2”) and Canadalux S.à.r.l. (“Canadalux”) were the principal subsidiaries of the Company.

(1) (2) On January 1, 2015, SJI was amalgamated by vertical short form amalgamation with its wholly owned subsidiaries, SJ Canada and Guelph. The surviving company was SJI.

Name of Subsidiary	Percentage of voting shares owned by the Corporation	Jurisdiction of Incorporation
SJ Corporation	100%	Delaware
McFarland	100%	Washington
MCPL	100%	Washington
Cascade	100%	Washington
Electric Mills	100%	Mississippi
SJ Canada ⁽¹⁾	100%	Canada
Guelph ⁽²⁾	100%	Canada ⁽³⁾
SJ Holding	100%	Delaware
SJ Finance	100%	Delaware
Canco 1	100%	Canada
Canco 2	100%	Canada
Canadalux	100%	Luxembourg

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Unless the context dictates otherwise, “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. The Company also provides residential lumber to retailers and wholesalers for outdoor applications, as well as industrial products for construction and marine applications.

On November 8, 2012, the Company announced that it had begun construction of a new wood treating facility, in Cordele, Georgia, primarily devoted to the production of railway ties. This project represented a total capital investment of approximately US\$12.2 million. Details of the Cordele facility are provided in section 4.4 hereof under “Manufacturing Operations”.

On November 30, 2012, SJI, through its wholly owned U.S. subsidiary SJ Corporation, completed the acquisition of McFarland, one of North America’s long-standing suppliers of treated utility poles and treated lumber for outdoor home projects. At the time of the acquisition, McFarland was serving its customer base through four wood treating facilities located in Tacoma, Washington; Eugene, Oregon; Electric Mills, Mississippi; and Galloway, British Columbia; as well as through an extensive distribution network.

(1)(2) Both entities were amalgamated with SJI on January 1, 2015. The surviving Company was SJI.

(3) Guelph was continued from an Ontario company to a Canada Business Corporation prior to January 1, 2015 amalgamation with SJI.

Financing for the transaction was secured through an \$80.0 million private placement of subscription receipts, which successfully closed on November 30, 2012, as well as through financing resulting from an increase in the Company's committed revolving credit facility to \$350.0 million. The subscription receipts were exchanged as at the close of business on November 30, 2012 for common shares in the share capital of the Company on the basis of one common share per subscription receipt.

The purchase price totalled approximately \$172.0 million, subject to the post-closing adjustments. As this was a significant acquisition, the Company filed a Form 51-102F4 (Business Acquisition Report) in respect of this transaction.

On November 15, 2013, SJI completed, through its wholly owned U.S. subsidiaries, SJ Corporation and McFarland, the acquisition of substantially all of the operating assets employed in the businesses of Arizona Pacific Wood Preserving Inc., Nevada Wood Preserving Inc. and Pacific Wood Preserving of Oregon, Inc. (together, "The Pacific Wood Preserving Companies®" ["PWP"]), conducted at their wood treating plants in Oregon, Nevada and Arizona and their wood concentration yard in Texas. These businesses consist of the manufacture of treated wood utility poles and railway ties, along with a variety of lumber related products. The purchase price was approximately US\$33.0 million, plus the seller's net working capital at closing, estimated at approximately US\$23.1 million, subject to post-closing adjustments. Stella-Jones financed the acquisition through a combination of its existing credit facilities and a vendor note of US\$7.0 million. This transaction was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102 and therefore, Form 51-102F4 (Business Acquisition Report) was not filed in respect of this acquisition.

On May 22, 2014, the Company completed the acquisition of the wood treating facilities of Boatright Railroad Products, Inc. ("Boatright"), located in Montevallo and Clanton, Alabama. These facilities manufacture, sell and distribute creosote and borate-treated crossties as well as switch ties, tie plugs and bridge timbers to railroads and railroad contractors.

Total consideration associated with the acquisition was approximately US\$72.3 million (US\$66.2 million), excluding acquisition costs. The transaction was financed through a combination of SJI's existing committed revolving credit facility and a five-year unsecured promissory note of US\$14.2 million, bearing interest at 1.93%, which was issued for the transaction.

This transaction was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102 and therefore, 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 one business segment, the production and sale of pressure treated wood for several different product groups (described below). Wood treating facilities are located in the Canadian provinces of Alberta, British Columbia, Nova Scotia, Ontario, Québec, and the states of Alabama, Arizona, Arkansas, Georgia, Indiana, Kentucky, Louisiana, Mississippi, Nevada, Oregon, Pennsylvania, 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, an oil-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.

Industrial Products

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

Residential Lumber

This category consists primarily of pressure treated consumer lumber for use in patios, decks, fences and other outdoor applications. The Company provides this service to the Canadian market as well as the U.S. Pacific Northwest and Alaska.

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 nine wood treating facilities in Canada and eighteen wood treating facilities in the United States. In Canada, the facilities are located in Carseland (Alberta), Galloway, Prince George and New Westminster (British Columbia), Truro (Nova Scotia), Guelph (Ontario), Delson, Gatineau and Sorel-Tracy (Québec). In the United States, the facilities are located in Montevallo and Clanton (Alabama), Eloy (Arizona), Russellville (Arkansas), Cordele (Georgia), Winslow (Indiana), Fulton (Kentucky), Alexandria (Louisiana), Electric Mills (Mississippi), Silver Springs (Nevada), Eugene and Sheridan (Oregon), Dubois and McAlisterville (Pennsylvania), Goshen (Virginia), Arlington and Tacoma (Washington), and Bangor (Wisconsin).

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

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

Truro, Nova Scotia

Originally constructed in 1924, 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 160,000 fbM kiln, a lumber/timber framing and incising line, mobile handling equipment, a maintenance shop, a quality control laboratory, a fully equipped research laboratory and offices for production, sales and wood procurement personnel for the region.

In 2014, capital expenditures at the Truro plant totalled approximately \$544,000, primarily for the replacement of the main culvert line and a new vacuum pump for the oil plant.

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.

Delson, Québec

The Delson plant was constructed in 1925, 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, 2014, total capital expenditures at the Delson plant totalled approximately \$475,000. The major portion of these expenditures were incurred to maintain the efficiency of the operating assets.

The plant currently produces a wide range of products, serving all major markets. The Delson plant is located within minutes of Montreal, 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 was built in 1987. The plant, which has a total annual treating capacity of approximately 60,000 cubic metres, operates on 8 hectares of land and has a water-borne preservative cylinder, three dry kilns and a pole peeler. The plant, located approximately 30 kilometres east of Gatineau, Québec, specializes in the production of utility poles.

For the year ended December 31, 2014, total capital expenditures amounted to approximately \$18,000, primarily for drip pad maintenance and repairs.

Sorel-Tracy, Québec

The Sorel-Tracy plant was built in 1939 and has a total annual treating capacity of approximately 75,000 cubic metres, operates on approximately 9 hectares of land and is equipped with two water-borne preservative cylinders, a dry kiln, and a framing line. The plant specializes in custom treated lumber and specialty products as well as ACQ and borate wood treatment for the residential construction market.

For the year ended December 31, 2014, approximately \$78,000 in capital costs were incurred at the Sorel-Tracy plant to complete the introduction of a new wood preservation agent, MicroPro (brown sienna wood).

Guelph, Ontario

Constructed in 1988 and specializing in the production of utility poles, the Guelph facility operates on approximately 9 hectares of land. It has three water-borne cylinders, two pole butt treating tanks, 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.

In 2014, approximately \$290,000 was spent for capital assets at the Guelph plant, primarily to complete conversion of lumber treatment to micronized copper sienna, and to install a new retort door.

The plant produces utility poles and residential lumber and benefits from access to a rail loading and unloading facility within minutes of the plant.

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 dimensional lumber. The operation includes one state of the art PCP pressure system, one ACQ water-borne pressure system, along with two drying/stabilization chambers. In addition, there is a pole butt treating tank, an incising/framing line and an automated lumber packaging line. Total annual treating capacity is approximately 150,000 cubic metres. The plant's location is well situated to provide utility poles to Western Canada and U.S. markets.

The treating plant is supported by a long established forestry operation headquartered at Salmon Arm, British Columbia, which manages the Company's forest tenures in British Columbia and Alberta.

In 2014, approximately \$180,000 was spent on capital asset additions at the Carseland facility, relating primarily to improving efficiencies at the ACQ plant along with infeed deck upgrades to the incisor.

The Salmon Arm forestry operation saw capital expenditures of approximately \$604,000, mainly for road construction related to forestry operations.

New Westminster, British Columbia

The New Westminster facility was originally built in 1929 and is situated on approximately 31 hectares of land. The plant operates three oil cylinders, one water-borne cylinder and a fixation chamber, with a total annual production capacity of over 197,000 cubic metres. The plant is also equipped with a pole peeler and a double track dry kiln.

For the year ended December 31, 2014, capital expenditures at the New Westminster plant totalled approximately \$426,000, primarily for a drip pad extension and high capacity pole trams for the treating cylinder.

The plant produces mainly poles and piling, primarily for the North American market. The plant 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.

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 70,000 cubic metres.

For the year ending December 31, 2014, approximately \$164,000 was spent towards a new lunchroom for employees and a storm water filter system upgrade.

Prince George, British Columbia

The Prince George plant was built in 1961 and operates on 31 hectares. The plant operates two oil cylinders, one water-borne cylinder, a dry kiln and a fixation chamber. The total annual treating capacity is approximately 100,000 cubic metres. The facility also includes a pole peeler, a railway tie mill, and a pole grading and framing line.

Capital expenditures at the Prince George plant for the year ended December 31, 2014 amounted to approximately \$61,000, primarily for a new condenser.

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.

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, 2014, capital expenditures at the Bangor plant approximated \$162,000, which was primarily for an evaporator.

Arlington, Washington

Located in Arlington, Washington, USA, and operating on approximately 21 hectares, the plant 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, a maintenance facility and offices for production, sales and wood procurement personnel.

For the year ended December 31, 2014, capital expenditures approximated \$493,000, related to high capacity pole trams, a solid surface cap on the drip pad as well as an enhancement to treatment plant sensor units.

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 meters. 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, 2014, capital expenditures approximating \$124,000 were devoted to mobile equipment.

McAlisterville, Pennsylvania

Located in McAlisterville, Pennsylvania, USA, and operating on approximately 20 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 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, 2014, capital expenditures of approximately \$244,000 were devoted to a borate treating system.

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 1 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, 2014, there were capital expenditures of approximately \$606,000 at the Goshen plant, primarily for a switch tie line and end-plater system, as well as an investment in an evaporator tank.

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 120,000 cubic metres. The plant is also equipped with two incisors, a pole peeler and administrative offices.

For the year ending December 31, 2014, there were capital expenditures of approximately \$4,187,000, relating primarily to a new pole peeler and yard track.

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. The total annual treating capacity is 330,000 cubic metres.

The facilities also include offices for production, sales, procurement and warehouse facilities to support its distribution program.

For the year ending December 31, 2014, capital improvements amounting to approximately \$591,000 were made to upgrade the water treatment plant, improve lumberline efficiencies and treatment plant upgrades.

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 meters. 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, 2014, approximately \$270,000 in capital improvements were made, primarily for a new office building.

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 and a pre-plating line capable of processing 1 million ties annually, a maintenance facility and offices for production and wood procurement personnel.

For the year ended December 31, 2014, capital expenditures approximating \$58,000 were devoted to boiler improvements.

Winslow, Indiana

Located in Winslow, Indiana, USA, and 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, 2014, capital expenditures at the Winslow plant amounted to approximately \$1,305,000, mainly towards a robotic stacker and borate treating system.

Montevallo, Alabama

Located in Shelby County, Alabama, this facility operates on a 24 hectare parcel of land and specializes in the manufacture of creosote treated and borate treated railway ties. The facility includes seven creosote pressure treating cylinders, giving annual treating capacity of approximately 256,000 cubic metres. The plant also includes an equipment maintenance facility and offices for personnel.

For the year ended December 31, 2014, capital expenditures amounted to approximately \$1,120,000, primarily for the conversion of a treating system to a dual creosote/borate system and the fabrication of trimmer system equipment.

Clanton, Alabama

The Clanton facility is on a 26 hectare site located in Clanton, Chilton County, Alabama. The site includes an (approximately) 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 150,000 cubic metres.

For the year ended December 31, 2014, approximately \$893,000 of capital expenditures were dedicated to the facility, primarily for a borate treating system, trimmer modifications, evaporator tank enhancements and miscellaneous production improvements.

Alexandria, Louisiana

Located in Alexandria, Louisiana, USA, and operating on approximately 25 hectares of land, the 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, 2014, capital expenditures at the Alexandria plant amounted to approximately \$1,447,000, which were devoted to a new crosstie end plater and the fabrication of infeed equipment for a switch tie line and new trams.

Russellville, Arkansas

Located in Russellville, Arkansas, USA, and operating on approximately 19 hectares of land, the plant specializes in the treating of railway ties. The facilities include two 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, 2014, capital expenditures amounted to approximately \$1,510,000, mainly for trimmer and bridge line improvements.

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 pentachlorophenol and copper naphthenate.

During the year ended December 31, 2014, capital expenditures amounted to approximately \$2,834,000 at the Sheridan facility, which included automation of five retorts, process equipment upgrades and a retort conversion to Pentachlorophenol.

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 waterborne preservatives, and treated and white wood storage yards. The primary products manufactured by the facility include transmission and distribution poles, dimensional lumber, laminated beams and fence posts.

No capital expenditures were dedicated to the facility by the Company during the year ended December 31, 2014.

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. Treated and white wood storage areas also exist at the site.

For the year ended December 31, 2014, capital expenditures amounted to approximately \$2,618,000, mainly for new treating plant equipment, upgrades to wastewater treatment, plant automation and four wind turbines.

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, product testing lab, barge unloading dock, and offices for production and clerical personnel.

For the year ended December 31, 2014 there were no capital expenditures at the Memphis Plant.

Superior, Wisconsin – Tie Recycling Services

Located on a 4 hectare site at Superior, Wisconsin, USA, this facility comprises operations which recycle used railroad ties and has direct railroad access to the BNSF Railway Company, Union Pacific Railroad and Canadian Pacific Railway. The facility contains railroad tie storage and sorting areas and railroad tie processing equipment, including tie grinding equipment, which process the ties into woodchips which are sold as boiler fuel. The location has processing capabilities of 1.5 million ties annually.

For the year ended December 31, 2014 there were no capital expenditures at the Superior facility.

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 110,000 cubic meters, the plant specializes in the treatment of railway ties and is capable of processing approximately 2 million ties annually.

For the year ended December 31, 2014, there were approximately \$2,208,000 in capital expenditures at the plant, mainly towards a stock yard expansion, a borate dip tank system and trimmer system upgrades.

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, 2014, the Company obtained its raw material requirements for utility poles from its own timber harvesting licenses (forest licenses, timber quota and *Garanties d'approvisionnement* ("GA's")), state timber sales, private woodland owners and through purchases of timber on the open market. Wood supply for railway ties and timbers are purchased from hundreds of sawmills in various regions throughout Canada and the United States.

Forest Tenures

Forest tenures are used primarily by the Company for the procurement of utility poles. In Québec, most of the exploitable forest is public property managed by the *Ministère des Ressources Naturelles* (the "Ministère"), which determines the market value of the stumpage. Timber allocation agreements, called GA's (which have replaced the former *Contrats d'approvisionnement et d'aménagement forestier*, or "CAAFs"), allow the lumber industry to cut an annual volume. These forest cutting privileges, which are evergreen in term, are reviewed and automatically extended every 5 years so long as the beneficiary has complied with its obligations. Supplementary volume may also be purchased and cut within a specified timeframe, as determined by an auction system on public land via the Ministère's timber marketing board, known as the *Bureau de Mise en Marché des Bois*.

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 Alberta, the provincial governmental department of Sustainable Resource Development issues timber quotas for timber on crown lands to a variety of forest product manufacturers. A timber quota gives the producer access to a specified proportion of the annual allowable cut within the forest management unit in which they hold the quota certificate. Generally, quotas have a term of 20 years and are renewed every 5 years providing that the quota holder has satisfied the conditions of the quota pertaining to harvest production, reforestation, and environmental stewardship. Higher level forest management planning for most quotas within the province is the responsibility of larger forest product manufacturers that hold the Forest Management Agreement for specific areas and is overseen by Alberta Sustainable Resource Development.

The Company has the following forest licenses in Québec, British Columbia and Alberta:

COMPANY’S FOREST LICENSES		
Province	Allowable Annual Cut (Cubic metres)	Term
Québec	19,400 ¹	evergreen
British Columbia	205,439 ²	15 years
Alberta	13,810	20 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, 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.

¹ Will total 22,100 cubic metres as of April 1, 2015.

² The change from prior year represents the transition to Company ownership, of a license representing 25,869 cubic metres, which was formerly under a management agreement, as well as sold volume of 47,048 cubic metres.

4.6 SALES, MARKETING AND COMPETITIVE CONDITIONS

By the end of the year 2014, there were approximately 55 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, 2014 and 2013:

COMPANY'S SALES BY PRODUCT GROUP FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013				
	2014		2013	
	(millions of dollars)	%	(millions of dollars)	%
Railway ties	530.0	42.4	394.0	39.0
Utility poles	470.5	37.7	405.8	40.1
Residential lumber	128.0	10.2	112.3	11.1
Industrial products	89.4	7.2	58.1	5.7
Non-pole quality logs	31.6	2.5	41.1	4.1
	1,249.5	100	1,011.3	100

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

The majority 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.

Industrial Products

Sales comprise construction materials used mainly in public works projects, such as highway guardrail posts. Products are typically sold directly to municipal and provincial 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 public 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.

Residential Lumber

This product group is fragmented, consisting of numerous participants varying in size. Opportunities exist for high quality producers who can successfully differentiate their product and service. The Company provides both treated residential lumber products and customized treating services to lumber retailers and wholesalers in Canada and the United States for outdoor applications.

Export

The Company's focus is primarily on North American markets. Nonetheless, the Company has had some success in penetrating emerging market countries for the sale of treated wood poles to national telephone and utility companies and railway ties to international mining companies. 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, 2014 AND 2013				
(audited)	2014		2013	
	\$'000	%	\$'000	%
United States	1,019,580	81.6	788,048	77.9
Canada	229,913	18.4	223,242	22.1
	1,249,493	100.0	1,011,290	100.0

4.7 EMPLOYEES

As at December 31, 2014, the Company had a total of 1,535 employees, of which 397 were salaried non-unionized, 276 were unionized and 862 were paid at an hourly rate and non-unionized.

COUNTRY	SALARIED (NON- UNIONIZED)	UNIONIZED	PAID AT HOURLY RATES (NON- UNIONIZED)	TOTAL
Canada	118	194	118	430
U.S.A.	279	82	744	1,105
TOTAL:	397	276	862	1,535

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 implication 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 this 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 and General Counsel, 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, as well as the Vice-President and General Counsel, U.S. Operations report to the Company's Environmental, Health and Safety Committee ("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 Chairman of the EH&S Committee communicates the key elements of each Environmental Report to the Board of Directors in all instances.

Under the terms of the 2014 Boatright asset purchase agreement, the seller has agreed, for a specified duration, to provide certain indemnities arising from the breach of representations and warranties, which exceed a certain minimum threshold and up to a specified maximum dollar amount.

Under the terms of the 2013 asset purchase agreement with PWP, the seller has agreed to provide certain environmental indemnities, subject to specified maximum thresholds, applicable deductibles, time limitations and exclusions.

Under the terms of the November 2012 McFarland Stock Purchase Agreement, the seller has provided indemnities for claims for breach of environmental representations and warranties, and for certain environmental claims arising in connection with seller's operations or condition of real property prior to closing. These indemnities are subject to applicable monetary and time-related limitations.

During the year 2000, Technical Recommendations Documents ("TRD") baseline assessments were carried out on the Company's Canadian plants as well as on all other wood preserving plants in Canada by environmental consultants on behalf of Environment Canada. By December 31, 2001, all Canadian wood preserving plants were obliged to submit a plan of action to effectively remedy all items for correction noted in the assessments by December 31, 2005. Accordingly, the Company submitted plans of action for all of its Canadian treating facilities and sufficient capital expenditures and resources were devoted by the Company to correct deficiencies. As of December 31, 2006, all of the Company's Canadian treating facilities were certified compliant and have remained so to date.

4.9 RISK FACTORS

Economic Conditions

The difficulties in certain global credit markets, softening economies and an apprehension among customers may negatively impact the markets the Company serves in all of its operating categories. Additionally, certain negative economic conditions may affect most or all of the markets it serves at the same time, 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, 2014, the Company's top ten customers accounted for approximately 42.1% of its

sales. During this same period, the Company's two largest customers accounted for approximately 9.8% and 5.5%, respectively, of its total sales.

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.

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 in the past, which have 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 environmentally irresponsible practices by regulatory authorities or local communities could harm the reputation of the Company. Adverse publicity resulting from actual or perceived violations of environmental laws and regulations 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

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 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 goods manufactured in Canada.

The Company strives to mitigate such risks by purchases of goods and services denominated in U.S. dollars. 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 special 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 Fluctuations

As at December 31, 2014, approximately 23.9% of the Company's long-term debt was at variable rates, thereby exposing the Company to interest rate risk. The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. 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. 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 a material 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 railways, as well as with utility and telecommunication companies and other major corporations, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

Influence by Stella Jones International S.A.

As at December 31, 2014, Stella Jones International S.A. ("SJ International") owned or controlled 26,572,836 common shares of the Company, which represented approximately 38.5% of the outstanding Common Shares. As a result of its share ownership, SJ International has the ability to influence matters submitted to the shareholders for approval, including without limitation, the election and removal of directors, amendments to the articles of incorporation and by-laws and the approval of any business combination. The interests of SJ International may not, in all cases, be aligned with interests of the other shareholders.

ITEM 5 DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS

5.1 DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS ⁽¹⁾

On March 15, 2012, the Board of Directors modified its dividend policy from a semi-annual to a quarterly dividend, and approved a quarterly dividend of \$0.15 per common share on that date and again on May 2, 2012. On August 9, 2012 and November 8, 2012, the Board of Directors declared quarterly dividends of \$0.16 per share. On March 21, 2013, May 2, 2013 and August 9, 2013, the Board of Directors declared quarterly dividends of \$0.20 per share. On November 8, 2013, the Board of Directors declared a quarterly dividend of \$0.05 per share (which amount took into consideration the Corporation's 4-for-1 share split by way of dividend of October 25, 2013). On March 13, 2014 the Board of Directors declared a quarterly dividend of \$0.07 per share and approved quarterly dividends of \$0.07 per common share on April 30, 2014, August 7, 2014 and November 6, 2014. On March 12, 2015, the Board of Directors declared a quarterly dividend of \$0.08 per common share.

⁽¹⁾ Note that all dividends prior to November 8, 2013 are provided on a pre-4-for-1 split basis.

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% 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 2.5:1. In the case where the total debt to EBITDA ratio is lower than 2.5:1, 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

6.1 GENERAL 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 20, 2015, there were 68,977,408 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, 2014				
Month (2014)	High \$	Low \$	Close \$	Volume Traded
January	28.49	26.00	26.06	1,002,973
February	26.64	25.02	26.50	794,532
March	31.98	26.16	30.71	1,269,204
April	32.74	29.05	29.96	991,932
May	31.67	29.15	29.47	1,272,138
June	31.30	29.10	29.30	1,069,561
July	29.50	26.76	27.00	1,270,128
August	31.48	26.87	29.84	1,439,911
September	29.91	28.45	29.34	1,237,541
October	34.40	29.11	32.73	1,512,728
November	36.85	31.32	35.02	1,813,635
December	35.50	32.50	32.74	1,343,259

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 20, 2015. 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 and an environmental, health and safety 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
TOM A. BRUCE JONES, CBE ⁽¹⁾ Glasgow, Scotland	Chairman of the Board and Director	July 1993	Chairman of the Board, James Jones & Sons Limited (British forest products company)	_ ⁽²⁾
GEORGE J. BUNZE, CPA, CMA ⁽³⁾⁽⁴⁾⁽⁵⁾ 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)	77,500 ⁽⁵⁾
GIANNI CHIARVA ⁽⁴⁾ Milan, Italy	Vice-Chairman of the Board and Director	July 1993	Chairman, SJ International; Chairman, Fabbri Group, Italy (machines and films for food packaging sector)	_ ⁽⁶⁾
BRIAN MCMANUS Québec, Canada	President, Chief Executive Officer and Director	June 2001	President and Chief Executive Officer, Stella-Jones Inc.	7,356
NYCOL PAGEAU-GOYETTE ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁷⁾ Québec, Canada	Director	July 1993	President, Pageau Goyette et associés limitée (management services firm); Chairperson, Sorinco Inc. (waste management company)	18,400
SIMON PELLETIER ⁽³⁾ Québec, Canada	Director	May 2012	Senior Vice-President, Global Sales and Marketing, Metso, Service Business Area (manufacturer of minerals processing and construction equipment)	3,000
DANIEL PICOTTE ⁽¹⁾ Québec, Canada	Director	July 1993	Partner, Fasken Martineau DuMoulin LLP (law firm)	20,000
JOHN BARRIE SHINETON ⁽³⁾ Ontario, Canada	Director	May 2009	Vice-Chairman of the Board, Norbord Inc. (producer of oriented strand board)	24,300
MARY WEBSTER ⁽¹⁾ Minnesota, U.S.A.	Director	May 2007	Corporate Director	8,800

(1) Member of the Environmental, Health and Safety Committee.

(2) Mrs. Stina Bruce Jones, wife of Mr. Tom A. Bruce Jones, owns 71,332 common shares of the Company and Mr. Tom A. Bruce Jones owns, directly or indirectly, approximately 32.0% of the voting shares of James Jones & Sons Limited ("JJS") which holds 49.0% of the shares of SJ International, which in turn, holds 26,572,836 or approximately 38.5% of the Common Shares of the Company. Mr. Tom A. Bruce Jones holds directly, an additional 30,000 Common Shares of the Company.

(3) Member of the Audit Committee.

(4) Member of the Remuneration Committee.

(5) Mrs. Kathleen Bunze, wife of Mr. George Bunze, owns an additional 1,000 shares of the Company.

(6) Mr. Gianni Chiarva, together with his associates, exercise control or direction, directly or indirectly, over all of the voting shares of Stella International S.A. ("Stella International"), which holds 51.0% of the shares of SJ International, which in turn, holds 26,572,836 or approximately 38.5% of the Common Shares of the Company. Mr. Gianni Chiarva holds directly, an additional 30,000 Common Shares of the Company.

(7) Lead Director.

Within the five preceding years, each of the foregoing has held the same or similar position with the entities indicated.

EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Name and municipality of residence	Position within the Company
Shane Campbell Auburn, Washington	Vice-President, Operations McFarland Cascade Holdings, Inc.
George Caric Irwin, Pennsylvania	Vice-President, Marketing Stella-Jones Corporation
Kevin Comerford Edgewood, Washington	Vice-President, Poles and Residential Sales McFarland Cascade Holdings, Inc.
W.G. Downey, Jr. Reedy, West Virginia	Senior Manager, U.S. Procurement Stella-Jones Corporation
Marla Eichenbaum Hampstead, Québec	Vice-President, General Counsel and Secretary Stella-Jones Inc.
Douglas J. Fox Wexford, Pennsylvania	Senior Vice-President, Engineering and Operations, Stella-Jones Corporation
Rémi Godin, CPA, CGA St-Bruno, Québec	Vice-President and Chief Accounting Officer Stella-Jones Inc.
Ian Jones Vernon, British Columbia	Senior Vice-President McFarland Cascade Holdings, Inc., and Senior Vice-President, Stella-Jones Inc.
James Kenner Olathe, Kansas	Vice-President and General Counsel, U.S. Operations Stella-Jones Corporation
Gordon Murray North River, Nova Scotia	Vice-President, Environment and Technology and General Manager, Atlantic Region, Stella-Jones Inc.
Glen Ritchie Salmon Arm, British Columbia	Vice-President, Fibre Stella-Jones Inc.
Michael Sylvester Granada, Mississippi	Senior Vice-President, Stella-Jones Corporation
Rick Thompson Fergus, Ontario	Vice-President and General Manager Guelph Utility Pole facility
Éric Vachon, CPA, CA Pointe Claire, Québec	Senior Vice-President and Chief Financial Officer, Stella-Jones Inc.

Jon Younce
Stanwood, WA

Vice-President, U.S. Fibre & Pole Production
McFarland Cascade Holdings, Inc.

Ron Zeegers
Carseland, Alberta

Vice-President, Operations, Western Canada
Stella-Jones Inc.

As of March 20, 2015, the directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over approximately 26,885,630 Common Shares, representing approximately 39.0% 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:

Shane Campbell has served as Vice-President, Operations of McFarland since July 2012. From September 2010 to June 2012, he held the position of Regional Operations Manager and was Operations Manager for McFarland from August 2009 to August 2010. He served as Plant Manager for Obero Brands from 2007 to August 2009.

Kevin Comerford was appointed as McFarland's Vice-President of Poles and Residential Sales in March of 2013. From December 2012 until March of 2013, he served as McFarland's Vice-President, Sales and Marketing, Utility Poles. From June 2003 to the end of November 2012, he served as McFarland's North American Sales Manager.

W.G. Downey Jr. held the position of Vice-President, Production, from 1999 to 2008 at BPB Corporation. Following the Company's acquisition of BPB Corporation in April 2008, Mr. Downey served as Vice-President, Operations, for the Company's U.S. Operations and from January 1, 2011 to December 31, 2014, held the position of Vice-President, Manufacturing of SJ Corporation. Since January 2015, Mr. Downey has held the position of Senior Manager, U.S. Procurement, for SJ Corporation.

James Kenner has served as Vice-President and General Counsel, U.S. Operations of SJ Corporation since January 1, 2011, after serving as Assistant Vice-President and General Counsel, U.S. Operations of SJ Corporation since the acquisition of Tangent in April of 2010.

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.

Éric Vachon has served as Senior Vice-President and Chief Financial Officer of the Company since August of 2012. He joined the Company in February 2007 as Director, Treasury and Financial Reporting. In August 2008, his responsibilities were expanded to Vice-President, Finance, U.S. Operations and in June of 2011, he became Vice-President and Treasurer of SJI.

Jon Younce has served as Vice-President, U.S. Fibre & Pole Production of McFarland since May 2013. From January 2012 to May 2013, he was General Manager, U.S. Pole Division of SJ Corporation and from December 2008 to December 2011, he served as Division Manager of SJ Corporation's Arlington, Washington pole facility.

Ron Zeegers has served as Vice-President, Operations, Western Canada of the Company since January 2015 and served as Vice-President, Operations of SJ Canada between December 2012 and December 2014. From January 2007 to November 2012, he held the position of Plant Manager at SJ Canada's Carseland, Alberta treating facility.

8.2 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

In March of 2014, Simon Pelletier, who has served as a director of the Company since May, 2012, received an administrative monetary penalty in the amount of \$3,400 from *L'Autorité des marchés financiers* for the late filing of an insider trading report. The penalty was paid in full by Mr. Pelletier in April of 2015.

ITEM 9 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

9.1 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ⁽¹⁾

On November 20, 2012, the Company entered into an underwriting agreement with a syndicate of underwriters led by RBC Capital Markets, pursuant to which such underwriters agreed to purchase from treasury, on an underwritten private placement basis, 721,200 subscription receipts of the Company ("Subscription Receipts") at a price of \$68.00 per Subscription Receipt, for aggregate gross proceeds to the Company of approximately \$49.0 million (the "Underwriters' Private Placement").

In addition to the Underwriters' Private Placement, Stella-Jones received a firm commitment from its principal shareholder, SJ International, whereby such shareholder agreed to purchase 455,300 Subscription Receipts under the same terms as the Underwriters' Private Placement for gross proceeds of approximately \$31.0 million (the "Shareholder's Private Placement"), thereby maintaining its level of interest in the Company at 38.7%. Tom A. Bruce Jones, Chairman of the Company, owns approximately 32.0% of the voting shares of JJS, which holds 49.0% of the shares of SJ International. Gianni Chiarva, Vice-Chairman of the Company, together with his associates, exercises control or direction, directly or indirectly, over all of the shares of Stella International, which holds 51.0% of the shares of SJ International.

The closing date of the Underwriters' Private Placement and the Shareholder's Private Placement (collectively, the "Private Placements") occurred on November 30, 2012. Net proceeds from the Private Placements were used by the Company to partially fund the acquisition of McFarland, which was completed on November 30, 2012.

The Subscription Receipts were exchangeable, without additional payment, into common shares of the Company on a one-for-one basis upon completion of the McFarland Acquisition. An aggregate of 1,176,500 common shares were issued upon exchange of the Subscription Receipts sold under the Private Placements.

On January 17, 2012, the Company and its principal shareholder, SJ International, entered into an agreement with a syndicate of underwriters led by RBC Dominion Securities Inc. ("RBC") (the "Underwriters"), pursuant to which SJ International agreed to sell, and the Underwriters agreed to purchase, on a bought deal basis, 2,000,000 of the Company's common shares held by SJ International at an offering price of \$42.00 per share. The secondary offering was completed on February 6, 2012. After giving effect to this offering, SJ International owned 6,187,909 common shares of the Company, representing, at the time, approximately 38.8% of its outstanding common shares. SJI did not receive any proceeds from this offering.

⁽¹⁾ All information in Item 9 is provided on a pre-4-for-1 split basis as these matters occurred prior to October, 2013, the date of the Corporation's 4-for-1 share split by way of dividend.

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 (Chairman), Mr. Simon Pelletier, Ms. Nycol Pageau-Goyette and Mr. John Barrie Shineton. 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., 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 also serves on the Board of Directors and is Chairman of the Audit Committee of Intertape Polymer Group Inc. and is a member of the FM Global Advisory Board of Factory Mutual Insurance Company.

Ms. Nycol Pageau-Goyette is a graduate of the Université de Montréal and is a fellow certified administrator. She is the founder and main shareholder of companies operating in the fields of management (servicing not-for-profit organizations) and 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. Ms. Pageau-Goyette currently chairs the board of directors and the audit committee of the Maisonneuve-Rosemont Hospital.

Mr. Simon Pelletier holds a Bachelor of Materials Engineering from the University of Windsor and is Senior Vice-President, Global Sales and Marketing for Metso's Services Business Line. With over 25 years of experience in the mining and construction industry, Mr. Pelletier is responsible for 1.5 billion Euro of services sales in approximately 50 countries. Metso's Services Business Line provides a full-scope of services ranging from field service and repair to spare and wear parts all the way to high-value adding performance service solutions. 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 3.9 billion Euro and employs 17,000 people globally.

Mr. John Barrie Shineton holds a degree in Mechanical Engineering from University of Manitoba and serves as Vice-Chairman of the Board of Norbord Inc. ("Norbord"). He is the former President and Chief Executive Officer of Norbord, a position he held from 2004 until his retirement in January 2014. Norbord is publicly traded on the Toronto Stock Exchange and is one of the world's largest producers of oriented strand board, employing approximately 1,900 people at its 13 plant locations in the United States, Europe and Canada. Mr. Shineton held various positions within Norbord after joining the company in 1999, including Executive Vice-President of Wood Products, President of Norbord Industries Inc. and Managing Director of European Operations. He now serves as its Vice-Chairman of the Board. Mr. Shineton has had more than 30 years experience in the forest products industry, having held senior level marketing and sales and operations positions for such companies as International Forest Products and Northwood Pulp and Timber.

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 "1".

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 auditors 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 Chairman 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 Chairman 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, 2014	Year ended December 31, 2013
Audit Fees	\$870,073.00	\$1,075,000.00
Audit Related Fees	\$91,266.00	\$37,510.75
Tax Fees	\$309,856.05	\$538,942.49
Other Fees	\$16,860.00	\$11,189.00
TOTAL	\$1,288,055.05	\$1,662,642.24

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 consultation regarding GAAP.

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. The register of transfers of the Common Shares of SJI maintained by Computershare Investor Services Inc. is located at its offices in Montréal, Québec.

ITEM 12 MATERIAL CONTRACTS

12.1 MATERIAL CONTRACTS

On May 22, 2014, Stella-Jones acquired, through its U.S. wholly owned subsidiary, SJ Corporation, the Montevallo and Clanton, Alabama wood treating facilities of Boatright.

Particulars of this transaction are provided in this AIF at Item 3.1 “Three Year History”.

ITEM 13 INTERESTS OF EXPERTS

13.1 NAMES OF EXPERTS

The Company’s auditors are PricewaterhouseCoopers LLP, who have prepared the Independent Auditor’s Report to the shareholders of SJI on page 31 of the Company’s 2014 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 “1”

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 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;
 - 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. **Chairman, quorum and procedure.** The Audit Committee shall have the power to appoint a Chairman and a Vice-Chairman, 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 10, 2014