INTERFOR

Building Value™

2014 Annual Report

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FINANCIAL HIGHLIGHTS

(in millions of dollars, except share and per share amounts)

	2014	2013
Financial Summary		
Sales	1,447.2	1,105.2
Adjusted EBITDA [1]	169.3	134.0
Net earnings	40.7	42.2
Per Share Data		
Net earnings per common share		
- basic and diluted	0.62	0.73
Price range per share		
High	22.15	13.92
Low	13.02	7.82
Net book value per share	9.54	8.17
Operating cash flow per share before working capital change	2.17	2.14
Weighted average shares outstanding (millions)	66.0	57.7
Financial Position		
Total assets	1,068.5	824.1
Total debt	220.4	145.5
Total shareholders' equity	636.5	515.1
Invested capital [1]	839.0	655.9
Financial Ratios (%)		
Net debt as a % of invested capital, adjusted [1]	24.1%	21.5%
Pre-tax return on total assets [1]	6.4%	7.3%

Notes:
(1) See Glossary for definition.

"2014 was an outstanding year for Interfor. Significant progress was made on our growth agenda and a number of important milestones were set as the year progressed."

Message to Shareholders – February 2015

For further highlights, please see the 2014 Message to Shareholders and Management's Discussion and Analysis on the following pages.

2014 MESSAGE TO SHAREHOLDERS

Overview

2014 was an outstanding year for Interfor. Significant progress was made on our growth agenda and a number of important milestones were set as the year progressed.

Highlights for the year included:

- Production exceeded 2 billion board feet for the first time in the Company's history;
- Sales revenue exceeded $1.4 billion;
- We acquired and integrated Tolleson Lumber Company adding more than 345 million board feet of capacity to our U.S. Southeast platform. The new mills made a significant contribution to our results during the year;
- New continuous dry kilns were successfully installed at our mills at Baxley and Thomaston, Georgia;
- A $50 million capital project to upgrade our Castlegar mill was announced;
- US$50 million in fixed-rate, long-term debt was placed at a very attractive rate; and
- Agreement was reached with Simpson Lumber Company to acquire four mills (two in the U.S. Southeast and two in the U.S. Northwest) in a transaction that will close in early 2015.

Most important, our share price increased by 63% over the course of the year (following a 68% increase in 2013) as investors responded positively to the steps being taken to position the Company for long-term success.

Once the Simpson acquisition closes in March, Interfor will be firmly established as the 4^{th} largest lumber producer in the world.

But being big isn't enough.

Our goal is to become the world's most profitable, valuable and respected lumber company.

With the steps taken and results delivered in recent years, we are well on our way to achieving our goal.

I invite you to review the material covered in the next few pages and later in this report and to form your own views on our progress. Please feel free to forward any comments or questions you might have to me directly at duncan.davies@interfor.com.

Record Production and Sales Volumes Contribute to Strong Results

Interfor continued to ramp up production and sales activity in 2014.

For the year, lumber production was up 29% to 2.22 billion board feet from 1.73 billion board feet, with the Company's operations in Canada accounting for 42% of production and our mills in the U.S. accounting for the balance. It was the first time in the Company's history that production exceeded the 2 billion board foot benchmark.

Sales volumes, including agency and wholesale activities, were up from 1.76 billion board feet to 2.28 billion board feet last year.

Unlike recent years, product prices were relatively stable in 2014.

For the year, the Random Lengths Composite Index, which measures pricing levels for a basket of products, came in at US$383 versus US$384 in 2013.

In financial terms, the benefits of higher production and sales volumes had a positive impact on our results in 2014.

Sales revenue was a record $1.45 billion last year compared with $1.11 billion in 2013 while net earnings were $40.7 million versus $42.2 million in 2013 in spite of a $23 million pre-tax restructuring provision taken on the closure of our Beaver sawmill in Washington State and a $23.9 million share-based compensation charge resulting from the increase in our share price over the course of the year.

EBITDA[1], reported before one-time items and share-based compensation expenses, hit an all-time high of $169.3 million versus $134.0 million a year earlier.

Strategic Initiatives Building Value

Interfor has invested actively in recent years to enhance the Company's strategic position and to improve profitability, and 2014 was no exception.

In March we completed the acquisition of Tolleson Lumber Company ("Tolleson") of Perry, Georgia from Ilim Timber Continental, SA for US$189.5 million.

The Tolleson acquisition added 345 million board feet to our platform in the U.S. Southeast and opened the door to a number of system-related synergies with our existing operations in the region.

Good progress has been made on the integration of the Tolleson mills into our operations and more gains are expected in the years to come.

The Tolleson mills on their own are solid performers and made a strong contribution to our results during the year.

We also installed new continuous kilns at our mills at Baxley and Thomaston, Georgia, enabling higher operating rates at those mills.

The new kilns significantly improve drying quality as well as increasing throughput, enabling higher grade outturns, and lower operating costs.

We are looking at similar installations at a number of our other mills.

In November, we announced a $50 million capital upgrade to our mill at Castlegar in the B.C. Interior.

The Castlegar mill was acquired in 2008 and is located within one of the finest timber baskets in our Company.

The project will convert the mill from a 3-line operation to a 2-line facility utilizing state-of-the-art technology similar to that employed at our mills at Adams Lake, Grand Forks and Port Angeles.

The project will improve lumber recovery, productivity and grade outturns, lower conversion costs and eliminate approximately $20 million in non-return maintenance spending that would otherwise have been required over the next few years. The project is scheduled for completion in the 4th quarter of 2015, with full operating performance expected in early 2016.

Finally, in December, we announced the acquisition of Simpson Lumber Company, LLC's ("Simpson") sawmilling operations in the U.S. Southeast and U.S. Northwest for a purchase price of US$94.7 million plus working capital and a series of contingent payments tied to the performance of one of the acquired mills over the next three years.

[1] Refer to definition of Adjusted EBITDA in the Glossary.

The Simpson mills will add to our platforms in the U.S. Southeast and U.S. Northwest and, like the Tolleson acquisition, will enable a number of system-related synergies between our legacy operations in those areas and the newly-acquired mills.

With the addition of the Simpson mills, Interfor's total production capacity will increase by another 31% to 3.1 billion board feet, solidifying our position as the fastest growing lumber company in the world.

The Simpson transaction is scheduled to close March 1st.

Balance Sheet is Strong

Managing the risks associated with the Company's balance sheet is a hallmark of Interfor's management philosophy and steps were taken during the year to ensure appropriate financing was in place to support our growth agenda and investing activity.

The Tolleson transaction was financed in part through an equity takeback by the vendor of 3.68 million Interfor shares.

And, in early 2015, following the announcement of the Simpson acquisition, we agreed to a bought deal public offering with a group of Canadian underwriters totaling 3.3 million shares, raising an additional $63.7 million, net of the underwriters' commission.

The equity issues were supplemented with two fixed-rate debt issues: a US$50 million issue of 7 year senior secured notes at a fixed rate of 4.02% was completed in December, and a US$100 million issue of 10 year senior secured notes at a fixed rate of 4.17% was announced shortly after year-end in support of the Simpson transaction.

At year-end, Interfor had net debt outstanding of $202.6 million compared with $140.8 million at the end of 2013, representing a ratio of net debt to invested capital of 24.1% versus 21.5% a year earlier.

Share Structure Simplified; New Name Adopted

At the AGM in May, Interfor's shareholders voted to simplify the Company's share structure, eliminating the Company's Class B Common Shares, known as the Multiple Voting Shares, and redesignating the Class A Subordinated Voting Shares as Common Shares. The resulting one share structure is more in keeping with modern governance practices and was well received by investors.

Also, at the AGM, shareholders voted to change the Company's name from International Forest Products Limited to Interfor Corporation.

The name change provides a direct link between the Company's traditional trade name (i.e. "Interfor") and its formal corporate identity and provides an opportunity to build on the successful branding efforts undertaken in recent years using the Interfor name and logo.

Like the changes to the Company's share structure, the adoption of the Interfor name has been well received by investors and other stakeholders.

Positions for Long-Term Success

In spite of weaker-than-expected market conditions in the first six weeks of 2015, we continue to see positive signs emerging in the world's key lumber markets.

In the U.S., housing starts continue to improve, albeit slowly, and can be expected to gain momentum as the economic recovery matures.

In China, slower growth rates and policies introduced by the central government to address issues within that country's real estate market have had an impact on construction activity and product demand.

That said, we believe the underlying fundamentals in China with respect to wood products are very positive and look favorably on the prospects to grow our business platform in that market, including southern yellow pine from our operations in the U.S. Southeast.

More important, though, are the steps we are taking to position Interfor for long-term success.

Our business strategy is based on two primary tenets: growth by acquisition and operational excellence.

We've made tremendous strides in both areas in recent years and we see numerous opportunities for more gains as we move forward.

In closing, I would like to thank our Board of Directors for their on-going support and our employees for their dedication and efforts to build value for all our stakeholders.

Last but not least I would like to thank our shareholders for their support.

I'm convinced we're on track to build significant value at Interfor and look forward to reporting to you on our progress again this time next year.

Duncan Davies
President & CEO
February 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prepared as of February 12, 2015

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three month period and year ended December 31, 2014 ("Q4'14" and "2014", respectively). It should be read in conjunction with the audited consolidated financial statements of Interfor Corporation ("Interfor" or the "Company") for year ended December 31, 2014, and the notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains certain non-GAAP measures which, within the Non-GAAP Measures section, are discussed, defined and reconciled to figures reported in the Company's consolidated financial statements.

All figures are stated in Canadian dollars, unless otherwise noted, and references to US$/USD and ¥ are to the United States dollar and Japanese Yen, respectively. For definitions of technical terms and abbreviations used within this MD&A, refer to the Glossary in the Company's 2014 Annual Report.

Forward-Looking Statements

This MD&A contains forward-looking statements that address or discuss activities, events or developments that the Company expects or anticipates may occur in the future. Forward-looking statements are included under the headings "Overview of 2014", "Outlook", "Summary of Fourth Quarter 2014 Financial Performance", "Summary of 2014 Financial Performance", "Liquidity", "Capital Resources", "Off-Balance Sheet Arrangements", "Financial Instruments and Other Instruments", "Accounting Policy Changes" and "Risks and Uncertainties". These forward-looking statements reflect management's current expectations and beliefs and are based on certain assumptions including those related to general business and economic conditions in Canada, the U.S., Japan and China, and assessment of risks as described under "Risks and Uncertainties". Such forward-looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what benefit the Company will derive from them, if any. A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements, including those matters described under the heading "Risks and Uncertainties" and in Interfor's current Annual Information Form available on www.sedar.com. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by law.

Overview of 2014

Q4'14 Results

Interfor recorded a net loss of $5.2 million, or $0.08 per share, and Adjusted EBITDA of $37.4 million. These figures compare with net earnings and Adjusted EBITDA of $11.0 million and $45.4 million in Q3'14, and $11.4 million and $36.2 million in Q4'13, respectively. Sales revenue amounted to $389.0 million, compared with $373.1 million in Q3'14 and $315.3 million in Q4'13.

The net loss in the fourth quarter was impacted by an increase in the accrual for long term incentive compensation expense of $13.9 million, compared with an expense of $3.6 million in the third quarter. The long term incentive compensation programs are directly tied to Interfor's share price performance and are therefore marked-to-market at each quarter end. In the fourth quarter of 2014, Interfor's share price increased by 35.9%.

Lumber production in the fourth quarter of 2014 was 578 million board feet, up 11 million board feet or 1.9% compared to Q3'14 and up 108 million board feet or 23.0% compared to Q4'13. The production growth from Q4'13 primarily reflects the addition of two sawmills with the Tolleson acquisition and higher operating rates.

Interfor generated $25.0 million of cash from operations before working capital changes and $35.1 million after considering working capital changes. Capital spending amounted to $24.7 million during the quarter.

The Company reduced its net debt during the quarter to $202.6 million or 24.1% of invested capital, leaving $235.6 million of availability under its credit facilities.

Significant Operational Changes, Investment & Financing

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

In conjunction with the acquisition of Tolleson, Interfor increased the credit available on two of its facilities to ensure sufficient liquidity and flexibility post-transaction. On March 21, 2014, the Company increased the credit available under its U.S. Operating Line from US$20 million to US$30 million, without significant change to other terms and conditions. On March 31, 2014, the Company increased the credit available under its Revolving Term Line from $200 million to $250 million, without change to other terms and conditions.

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

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

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

On December 18, 2014, Interfor signed an agreement to acquire four sawmills from Simpson Lumber Company, LLC ("Simpson") for consideration of US$94.7 million, plus working capital and contingent future consideration. The sawmills are located in Tacoma, Washington, Longview, Washington, Meldrim, Georgia and Georgetown, South Carolina and fit within the Company's existing operating infrastructure. Upon closing of this acquisition, Interfor's total production capacity will increase by 30% to 3.1 billion board feet. The Company's lumber capacity in the U.S. Southeast and U.S. Northwest will total 1.2 billion and 900 million board feet, respectively, representing 67% of the Company's total pro forma capacity. The completion of the transaction is subject to customary conditions and is expected on March 1, 2015. Regulatory approval was received on January 23, 2015.

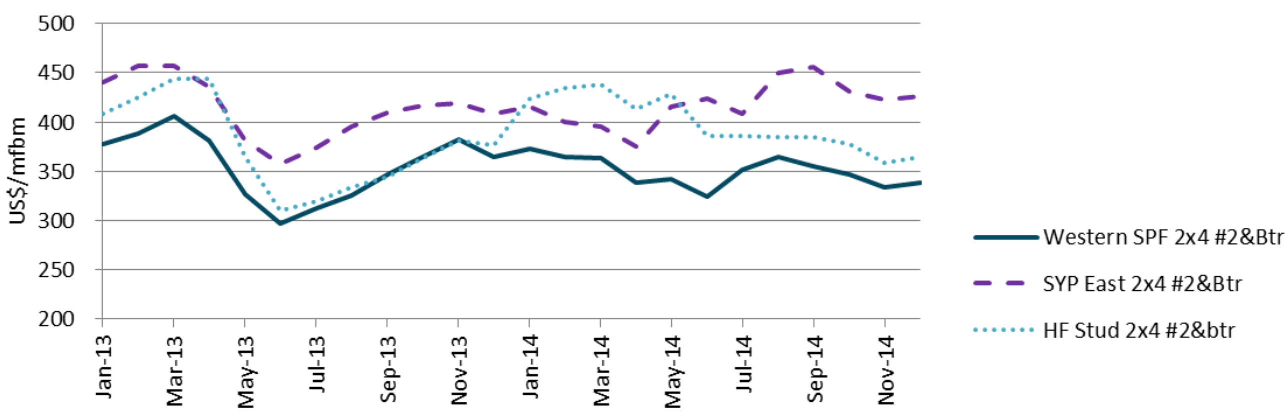
On January 27, 2015, Interfor closed a bought deal public offering of subscription receipts (the "Subscription Receipts") through a syndicate of underwriters. The Company issued an aggregate of 3,300,000 (including 300,000 Subscription Receipts issued pursuant to the exercise of the over-allotment option) Subscription Receipts at a price of $20.10 per Subscription Receipt, for aggregate gross proceeds of $66.3 million (the "Offering").

The gross proceeds from the Offering less one half of the underwriters' commission will be held in escrow until all conditions precedent to completion of the acquisition from Simpson, described above, have been satisfied. Each Subscription Receipt entitles the holder thereof, for no additional consideration and without further action, to one Common Share of the Company upon closing of this acquisition. Net proceeds of the offering will be used to partially fund the acquisition price and thereby provide the Company with ongoing financial flexibility.

Markets and Pricing

Average commodity lumber prices were modestly down across the board in the fourth quarter of 2014 as demand adjusted to reflect seasonal factors. The benchmark prices for Western SPF 2x4, SYP East 2x4 and HF Stud 2x4 9' declined US$17, US$11 and US$18, respectively, as compared to the prior quarter. Demand for lumber in China softened in the fourth quarter due to the combination of credit tightening and slowing real estate activity.

Benchmark Commodity Lumber Prices



Source: Random Lengths Publications, Inc. ("Random Lengths")

Lumber price levels remained above the relevant softwood lumber benchmark price in Q4'14 and enabled Canadian producers to ship lumber to U.S. markets without an export tax throughout the quarter. This export tax rate has been set at zero percent for January and February of 2015. The Company incurred $0.6 million of export taxes in the comparable period of 2013.

The U.S. dollar strengthened against the Canadian dollar during Q4'14, closing up 3.5% over September 30, 2014. The average rate of 1.1350 in Q4'14 was 8.2% higher than in the comparable quarter of 2013, which positively impacted Interfor's net earnings reported in Canadian dollars.

Outlook

The near term outlook for commodity lumber prices will be impacted by North American and overseas demand as well as supply side shifts within North America. With respect to demand, Interfor anticipates a gradual upward trend in U.S. housing starts for 2015 on positive gains in employment and consumer confidence while demand in China is expected to reflect a moderated real estate market. Log supply constraints in certain parts of British

Columbia are anticipated to continue, which may lead to reductions in available lumber industry production from that region. By contrast, modest increases in industry capacity and utilization rates are anticipated in the U.S. South region.

Interfor's strategy of maintaining a diversified portfolio of lumber operations allows the Company to both reduce risk and maximize returns on invested capital over the business cycle. Interfor will continue its disciplined approach to production, cost control, inventory management and capital spending. At the same time, Interfor will remain alert to growth opportunities to position the Company for long term success.

Financial and Operating Highlights (1)

		For the 3 months ended December 31,		For the year ended December 31,		
	Unit	2014	2013	2014	2013	2012
Financial Highlights (2)						
Total sales	$mm	389.0	315.3	1,447.2	1,105.2	849.2
Lumber	$mm	318.6	249.2	1,177.3	872.3	631.2
Logs	$mm	37.4	41.3	144.8	136.6	113.9
Wood chips and other residual products	$mm	29.1	20.0	105.5	72.4	69.4
Ocean freight and other	$mm	3.9	4.9	19.6	23.9	34.7
Operating earnings (loss)	$mm	(1.1)	13.7	36.1	52.5	(3.1)
Net earnings (loss)	$mm	(5.2)	11.4	40.7	42.2	(9.5)
Net earnings (loss) per share, basic and diluted	$/share	(0.08)	0.18	0.62	0.73	(0.17)
EBITDA(3)	$mm	23.2	31.4	144.2	115.8	50.2
Adjusted EBITDA(3)	$mm	37.4	36.2	169.3	134.0	59.9
Adjusted EBITDA margin(3)	%	9.6%	11.5%	11.7%	12.1%	7.1%
Total assets	$mm	1,068.5	824.1	1,068.5	824.1	632.0
Total long-term debt	$mm	220.4	145.5	220.4	145.5	135.0
Pre-tax return on total assets(3)	%	-0.1%	6.8%	6.4%	7.3%	-0.4%
Net debt to invested capital(3)	%	24.1%	21.5%	24.1%	21.5%	24.2%
Operating Highlights						
Lumber production	million fbm	578	470	2,222	1,725	1,351
Lumber sales	million fbm	620	500	2,282	1,761	1,432
Lumber - average selling price(4)	$/thousand fbm	514	498	516	495	441
Log sales(5)	thousand cubic metres	358	397	1,440	1,339	1,352
Logs - average selling price(5)	$/cubic metre	84	92	85	88	72

Notes:

(1) Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
(2) Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS but is unaudited.
(3) Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
(4) Gross sales before export taxes.
(5) For B.C. operations only.

Summary of Fourth Quarter 2014 Financial Performance

Sales

Interfor recorded $389.0 million of total sales, up 23.4% from $315.3 million in the fourth quarter of 2013, driven by the sale of 620 million board feet of lumber at an average price of $514 per mfbm. Lumber sales volume and average selling price increased 120 million board feet and 3.2%, respectively, over the same quarter of 2013.

The growth in lumber sales volume was primarily in the U.S. market, where sales increased by 136 million board feet or 43.6% over the fourth quarter of 2013. This growth is mostly attributable to the acquisition of two sawmills in the first quarter of 2014, higher operating rates and the draw-down of lumber inventories.

The increase in the average selling price of lumber is primarily related to the U.S. dollar strengthening against the Canadian dollar by 8.2%, partially offset by lower benchmark prices and an increased proportion of Southern Yellow Pine sales.

Log sales of $37.4 million represents a decrease of $3.9 million or 9.4% compared to the same quarter of 2013. This reflects lower sales volume and an 8.7% decrease in the average selling price on B.C. log sales, which accounted for 80.3% of total log sales revenue in the quarter.

Sales of wood chips and other residual products increased to $29.1 million, up $9.1 million over the comparable quarter of 2013. This increase mainly reflects a 23.0% rise in lumber production from Q4'13.

Operations

Production costs increased by $71.5 million or 26.3% over the fourth quarter of 2013, explained primarily by the 24.0% increase in lumber sales volume and the stronger U.S. dollar as noted above.

Depreciation of plant and equipment was $14.7 million, up 33.2% from the fourth quarter of 2013. The majority of this increase is explained by the inclusion of depreciation on the two sawmills acquired in the first quarter of 2014 and higher operating rates.

Depletion and amortization of timber, roads and other was $8.7 million, up 39.1% from the comparable quarter of 2013. This increase is mostly related to amortization of a non-competition agreement associated with the acquisition of Tolleson.

Corporate and Other

Selling and administration expenses were $8.9 million, up $1.9 million from the fourth quarter of 2013. This increase reflects the growth of Interfor's operations in the U.S. Southeast and includes $0.2 million of non-recurring costs associated with the Simpson acquisition.

The $13.9 million of long term incentive compensation expense reflects the impact of a 35.9% increase in the market price for Interfor Common Shares during the quarter on the Company's share-based incentive compensation plans.

Income Taxes

The Company recorded income tax expense of $0.2 million, comprised primarily of current taxes in respect of its U.S. operations.

Net Earnings (Loss)

The Company recorded a net loss of $5.2 million or $0.08 per share, compared to net earnings of $11.4 million or $0.18 per share in the comparable period of 2013. The net loss was impacted by the $13.9 million increase in the accrual for long term incentive compensation expense as noted above, compared to an increase of $5.2 million in the comparable quarter of 2013.

Summary of 2014 Financial Performance

Sales

Interfor recorded $1,447.2 million of total sales, up 30.9% from $1,105.2 million in 2013, driven by the sale of 2.3 billion board feet of lumber at an average price of $516 per mfbm. Lumber sales volume and average selling price increased 521 million board feet and 4.2%, respectively, over 2013.

The growth in lumber sales volume was primarily in the U.S. market, where sales increased by 512 million board feet or 47.7% over 2013. This growth is mostly attributable to the six sawmills in Georgia acquired since March of 2013 as well as increased demand.

The increase in the average selling price of lumber is primarily related to the strengthening of the U.S. dollar against the Canadian dollar by 7.3%, partially offset by an increased proportion of Southern Yellow Pine sales.

Log sales of $144.8 million represents an increase of $8.2 million or 6.0% compared to 2013, with higher volume partially offset by a lower average realize price.

Sales of wood chips and other residual products increased to $105.5 million, up $33.1 million over 2013. This increase mainly reflects the 28.8% increase in lumber production over the prior year.

Operations

Production costs increased by $302.8 million or 32.2% compared to 2013, explained primarily by the acquisition of two sawmills in the first quarter of 2014, contributing to a 29.6% increase in lumber sales volume, and a 7.5% increases in B.C. log sales volumes. The stronger U.S. dollar as noted above also contributed to this increase.

Depreciation of plant and equipment was $55.2 million, up 40.7% from 2013. The majority of this increase is explained by the inclusion of depreciation on the six mills in the U.S. Southeast acquired since March 2013, and higher operating rates.

Depletion and amortization of timber, roads and other was $28.9 million, up 25.4% over 2013. Amortization of the non-competition agreement associated with the Tolleson acquisition contributed to this increase.

Corporate and Other

Selling and administration expenses were $35.5 million, up $6.7 million from 2013. This increase reflects the growth of our operations into the U.S. Southeast and includes $1.6 million of non-recurring expenses related to the Tolleson and Simpson acquisitions.

Long term incentive compensation expense was $23.9 million, up $5.1 million over 2013, as a result of a higher market price for Interfor Common Shares on the Company's share-based incentive compensation plans.

In conjunction with curtailment of the Beaver-Forks operation in the second quarter of 2014, the Company recorded asset impairment and restructuring charges of $14.2 million, net of an $8.5 million deferred tax recovery.

Income Taxes

The Company recorded an income tax recovery of $16.2 million, comprised of $1.3 million of current tax expense net of a $17.6 million deferred tax recovery. The deferred tax recovery includes two notable items: i) recognition of $19.3 million of previously unrecognized deferred tax assets related to its U.S. operations as a result of the acquisition of Tolleson; and ii) an $8.5 million recovery related to the Beaver-Forks restructuring and impairment charges.

Net Earnings

The Company recorded net earnings of $40.7 million or $0.62 per share, compared with $42.2 million or $0.73 per share of net earnings in 2013. As noted above, net earnings in 2014 were impacted by increased long term incentive compensation expense, restructuring and impairment charges associated with the curtailment of the Beaver-Forks operation and recognition of previously unrecognized deferred tax assets related to U.S. operations.

Summary of Quarterly Results [1]

		2014				2013			
	Unit	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial Performance (Unaudited)									
Total sales	$mm	389.0	373.1	390.2	294.8	315.3	272.7	274.7	242.5
Lumber	$mm	318.6	303.0	325.2	230.4	249.2	212.2	219.5	191.4
Logs	$mm	37.4	34.4	35.4	37.6	41.3	36.6	32.6	26.1
Wood chips and other residual products	$mm	29.1	28.3	25.8	22.4	20.0	18.4	17.4	16.6
Ocean freight and other	$mm	3.9	7.4	3.8	4.4	4.9	5.4	5.2	8.4
Operating earnings (loss)	$mm	(1.1)	20.1	3.8	13.3	13.7	2.3	19.3	17.2
Net earnings (loss)	$mm	(5.2)	11.0	7.4	27.5	11.4	(0.1)	15.8	15.2
Net earnings (loss) per share, basic and diluted	$/share	(0.08)	0.16	0.11	0.43	0.18	(0.00)	0.28	0.27
EBITDA[2]	$mm	23.2	40.9	47.8	32.3	31.4	18.4	35.3	30.6
Adjusted EBITDA[2]	$mm	37.4	45.4	47.3	39.2	36.2	24.6	36.1	37.1
Shares outstanding - end of period	million	66.7	66.7	66.7	66.7	63.1	63.1	55.9	55.9
Shares outstanding - weighted average	million	66.7	66.7	66.7	63.8	63.1	55.9	55.9	55.9
Operating Performance									
Lumber production	million fbm	578	567	582	495	470	447	418	390
Lumber sales	million fbm	620	595	628	439	500	446	433	383
Lumber - average selling price[3]	$/thousand fbm	514	509	518	525	498	476	507	500
Log sales[4]	thousand cubic metres	358	380	305	398	397	353	301	289
Logs - average selling price[4]	$/cubic metre	84	75	103	82	92	93	90	76
Average USD/CAD exchange rate[5]	1 USD in CAD	1.1350	1.0890	1.0905	1.1033	1.0491	1.0385	1.0233	1.0080
Closing USD/CAD exchange rate[5]	1 USD in CAD	1.1601	1.1208	1.0676	1.1053	1.0636	1.0303	1.0518	1.0160

Notes:

(1) Figures in this table may not add due to rounding.
(2) Refer to the Non-GAAP Measures section of this MD&A.
(3) Gross sales before export taxes.
(4) For B.C. operations.
(5) Based on Bank of Canada foreign exchange rates.

The Company's quarterly financial trends are most impacted by seasonality, levels of lumber production, log costs, market prices for lumber and the USD/CAD foreign currency exchange rate.

Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season closures. Generally, the Company's B.C. Coast logging division experiences higher production levels in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Logging activity in the B.C. Interior is generally higher in the first half of the first quarter, slows during spring break-up and increases in the third and fourth quarters. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers. In addition, the market demand for lumber and related products is generally lower in the winter due to reduced construction activity, which increases during the spring, summer and fall.

Three sawmills acquired on March 1, 2013, and one sawmill acquired on July 1, 2013, contributed to growth in production, sales and earnings. Production, sales and earnings have also benefited since the acquisition of two sawmills on March 14, 2014. The permanent closure of the Beaver sawmill impacted production and sales in subsequent to Q2'14.

The volatility of the Canadian dollar against the U.S. dollar also impacted results, given that historically over 75% of the Canadian operation's lumber sales are to the U.S. and export markets priced in U.S. dollars. A weaker Canadian dollar increases the lumber sales realizations in Canada, and increases net earnings of U.S. operations when translated to Canadian dollars.

Liquidity

Balance Sheet

Interfor strengthened its financial position throughout the fourth quarter of 2014. Net debt at quarter-end of $202.6 million, or 24.1% of invested capital, was $61.8 million higher than at December 31, 2013, due primarily to borrowings for the Tolleson acquisition.

As at December 31, 2014, the Company had net working capital of $109.7 million and available capacity on operating and term facilities of $235.6 million. These resources, in addition to cash generated from operations, will be used to support working capital requirements, debt servicing commitments and capital expenditures. We believe that Interfor will have sufficient liquidity to fund operating and capital requirements for the foreseeable future.

Cash Flow from Operating Activities

In 2014, the Company generated $143.0 million of cash flow from operations before changes in working capital, up $19.3 million over 2013. Incremental cash flow generated from increased sales was partially offset by a small reduction in margin on production costs and a $6.7 million increase in selling and administration costs. The increase in selling and administration costs includes $1.6 million of a non-recurring nature related to the Tolleson and Simpson acquisitions.

Total cash generated from operations after changes in working capital was $161.8 million, with $18.8 million of cash released from operating working capital. The reduction in working capital was led by a $17.3 million decrease in log inventory compared to December 31, 2013. In 2013, $26.2 million of cash was consumed by operating working capital, leading to $97.5 million of total cash generated from operations.

Cash Flow from Investing Activities

Investing activities totaled $200.9 million in 2014, including $124.4 million related to the Tolleson acquisition, $48.9 million for property, plant and equipment and $26.7 million for development of logging roads. Discretionary mill improvements of $25.0 million during the period included the installation of a new kiln and crane at the Thomaston sawmill, a Weinig moulder at the Gilchrist sawmill and preparatory work on the Castlegar sawmill rebuild.

In 2013, total investing activities of $186.7 million included $86.6 million related to the acquisition of Rayonier's Wood Products Business, $33.8 million for the acquisition of the Thomaston sawmill and $68.3 million of capital expenditures. Capital expenditures included the addition of two timber tenures in the Kootenay Region of B.C. from Springer Creek Management Ltd. with a combined Allowable Annual Cut of approximately 174,000 cubic metres.

Cash Flow from Financing Activities

Net drawings on the Company's long term debt facilities were $59.4 million 2014, leading to total cash from financing activities of $51.5 million. This includes US$112.5 million drawn from the Company's Revolving Term Line and Operating Line to fund the Tolleson acquisition.

In 2013, net drawings on the Company's long term debt facilities were $4.2 million with total cash from financing activities of $78.0 million. This includes $82.4 million of net cash proceeds raised from the issuance of 7,187,500 Common Shares.

Summary of Contractual Obligations

The estimated cash payments due in respect of contractual and legal obligations including projected major capital improvements are summarized as follows:

		Payments due by Period			
Thousands of Canadian dollars	Total	Up to 1 Year	2-3 Years	4-5 Years	After 5 Years
Trade accounts payable and accrued liabilities	$105,150	$105,150	$ -	$ -	$ -
Income taxes payable	365	365	-	-	-
Reforestation liability	34,628	9,797	9,040	8,456	7,335
Long term debt	220,419	-	104,709	-	115,710
Provisions and other liabilities	68,317	31,908	12,270	3,314	20,825
Operating leases and expected capital commitments	83,864	64,294	10,040	4,510	5,020
Total obligations (1)	$512,743	$211,514	$136,059	$ 16,280	$148,890

Note: (1) Figures in this table may not add due to rounding

Capital Resources

The following table summarizes Interfor's credit facilities and availability as of December 31, 2014:

Thousands of Canadian dollars	Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
Available line of credit and maximum borrowing available	$ 65,000	$250,000	$116,010	$ 34,803	$465,813
Less:					
Drawings	-	104,409	116,010	-	220,419
Outstanding letters of credit included in line utilization	8,637	-	-	1,183	9,820
Unused portion of facility	$ 56,363	$145,591	-	$ 33,620	$235,574

Interfor continues to maintain its disciplined focus on monitoring discretionary capital expenditures, optimizing inventory levels and matching production with offshore and domestic demand. Based on current pricing, cash flow projections and existing credit lines, the Company believes it has sufficient liquidity to meet all of its financial obligations.

Transactions between Related Parties

Other than transactions in the normal course of business with key management personnel, the Company had no transactions between related parties in the twelve months ended December 31, 2014.

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance bonds, primarily for timber sales. At December 31, 2014, such instruments aggregated $30.9 million (December 31, 2013 - $26.7 million). Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

Financial Instruments and Other Instruments

From time to time, the Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company's policy is not to use derivatives for trading or speculative purposes. Risk management strategies and relationships are formally documented and assessed on a regular, ongoing basis to ensure derivatives are effective in offsetting changes in fair values or cash flows of hedged items. The counter-parties for all derivative contracts are the Company's Canadian bankers who are highly-rated and, hence, the risk of credit loss on such instruments is mitigated.

Interest Rate Swaps

As at December 31, 2014, Interfor had drawn $104.4 million of floating rate debt, excluding letters of credit, from its operating and term credit facilities, and $116.0 million of fixed rate debt through the Senior Secured Notes. The Company's operating and term credit facilities bear interest at the bank prime rate plus a premium, or, at the Company's option, at rates for Bankers' Acceptances for Canadian dollar loans or at LIBOR for U.S. dollar loans, in all cases dependent upon a financial ratio. The Senior Secured Notes bear interest at 4.33% and 4.02% for Series A and Series B, respectively.

On April 14, 2014, the Company entered into two additional interest rate swaps, each with a notional value of US$25.0 million maturing on April 14, 2016. Under the terms of these swaps, the Company pays an amount based a fixed annual interest rate of 0.58% and receives payment based on 90 day LIBOR which recalculated at set interval dates.

On March 25, 2013, the Company entered into two interest rate swaps, each with a notional value of US$25.0 million and maturing on February 17, 2017. Under the terms of these swaps, the Company pays an amount based on a fixed annual interest rate of 0.84% and receives payment based on 90 day LIBOR which is recalculated at set interval dates.

These interest rate swaps convert the Company's floating-rate interest expense to fixed-rate interest expense and have been designated as cash flow hedges. The fair value of these interest rate swaps at December 31, 2014, being an asset of $0.1 million (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (2013 - $0.2 million) and a negligible loss (2013 - $0.2 million gain) has been recognized in Other comprehensive income.

Based on the Company's average debt level during 2014, there is no net earnings exposure to changes in interest rates as all debt is covered by fixed rate instruments.

Foreign Currency Contracts

The Company is exposed to currency risk on cash and cash equivalents, accounts receivable, accounts payable and provisions and long term debt that are denominated in a currency other than the respective functional currencies of the Company's domestic and foreign operations, primarily Canadian and U.S. dollars, but also the Euro, Sterling and Yen. The Company uses foreign currency exchange forward, collar and option contracts to manage its currency risk from time to time. The Company routinely assesses its foreign exchange exposure by reviewing outstanding contracts, pending order files and working capital denominated in foreign currencies.

As at December 31, 2014, the Company had outstanding forward currency exchange contract obligations to sell during 2015 a maximum of US$11.0 million at an average rate of $1.1527 per U.S. dollar and ¥53.6 million at an average rate of ¥107.1 per U.S. dollar. Under outstanding call/put option collar agreements, the Company also had the right to sell US$4 million per month at an average rate of $1.1000 per U.S. dollar and the obligation to sell US$4 million per month at an average rate of $1.1638 per U.S. dollars in each of January, February and March 2015.

All foreign currency gains or losses in 2014 have been recognized in Other foreign exchange gain (loss) in Net earnings and the fair value of the foreign currency contracts has been recorded as a liability of $0.2 million in Trade accounts payable and provisions (2013 - $0.1 million asset recorded in Trade accounts receivable and other).

Unrealized gains and losses arising upon translation of net foreign currency investment positions in U.S. dollar functional currency foreign operations, together with any gain or losses arising from hedges of those net investment positions, to the extent effective, are credited or charged to net change in unrealized foreign currency translation gains (losses) in the Consolidated Statement of Comprehensive Income. Upon sale, reduction or substantial liquidation of an investment position, the previously recorded net unrealized gains (losses) thereon in the Translation reserve are reclassified to the Consolidated Statement of Earnings.

As at December 31, 2014, the Company had designated the US$90.0 million drawn under its Revolving Term Line and US$100.0 million drawn under its Senior Secured Notes as hedges against the net investment in its U.S. operations. The Company recorded a $20.4 million unrealized foreign exchange net gain on translation of its U.S. operations with a U.S. dollar functional currency to Other comprehensive income (loss) in 2014 (2013 - $8.2 million net gain).

Outstanding Shares

As of February 12, 2015, Interfor had 66,730,455 Common Shares issued and outstanding. These shares are listed on the Toronto Stock Exchange under the symbol IFP.

Controls and Procedures

The Company's management, under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has evaluated the design and effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2014.

The Company's management, under the supervision of the CEO and CFO, has evaluated the design and effectiveness of the Company's internal controls over financial reporting ("ICFR") based on the criteria established within the 2013 COSO framework. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective as of December 31, 2014.

The CEO and CFO acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the year ended December 31, 2014, which materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Critical Accounting Estimates

The Company's financial statements include critical accounting estimates made by management. Management is required to make various assumptions about matters that are highly uncertain at the time accounting estimates are made; the use of different assumptions could have a material impact on the Company's financial condition and performance. These critical accounting estimates are described below.

Valuation of Inventories. Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Log inventories are valued at the lower of cost and net realizable value on a specific boom or sort basis. The unit net realizable value for lumber inventories and B.C. Coast log inventories is determined by reference to the average sales values by specific product in the period immediately following the reporting date. The unit realizable value for B.C. Interior and U.S. log inventories is determined by reference to the value of the projected lumber and residual outturns. The unit cost for lumber is based on a three month moving average cost, lagged by one month and adjusted for unusual items. The unit cost for B.C. Coast logs is based on a twelve month moving average cost lagged one month and for B.C. Interior logs is based on the three month moving average cost, both adjusted for unusual items. The unit cost for U.S. logs is based on purchase cost. When net realizable value is lower than cost, a charge to operating earnings is recorded. Downward movements in commodity prices could result in a material write-down of inventory at any given time.

Recoverability of Property, Plant and Equipment, Logging Roads and Bridges, Timber licences, Other Intangible Assets, and Goodwill. Interfor's assessment of recoverability of property, plant and equipment, logging roads, bridges, timber licences and other intangible assets is made with reference to projections of future cash flows to be generated by its operations. The assessment of recoverability of goodwill is also made with reference to projections of future cash flows to be generated by the related cash generating unit. In both cases the projected cash flows are discounted to estimate the recoverable amount of the related assets.

The Company conducts a review of external and internal sources of information to assess existence of any impairment indicators. External factors include adverse changes in expected future prices, costs and other market and economic factors. Internal factors include changes in the expected useful life of the asset or changes to the planned capacity of the asset.

Key assumptions used are based on industry sources, including Forest Economic Advisors, LLC, as well as management estimates. Assumptions encompass lumber and residual chip sales prices, applicable foreign exchange rates, operating rates of the assets, raw material and conversion costs, the level of sales to the U.S. from Canada, the export tax rate, future capital required to maintain the assets in their current operating condition, and other items.

A high degree of uncertainty exists in these assumptions and, as such, any significant change in assumptions could result in a conclusion that the carrying value of these assets may not be recovered, which could necessitate a material charge against operating earnings.

Appropriate discount rates are determined by reference to current market conditions, specific company factors and asset specific factors. The inflation rate applied within the cash flow projections represents the published Bank of Canada consumer price index as at December 31, 2014.

Interfor assesses the recoverability of Property, Plant and Equipment, Logging Roads and Bridges, Timber Licences and Other Intangible Assets whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill is tested for impairment annually, and whenever events or changes in circumstances indicate that impairment may exist. The Company assessed the recoverability of goodwill as at December 31, 2014 and concluded that there were no impairments.

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

The Company also has a legal obligation to deactivate certain roads constructed for access to timber, once that access is no longer required. Accordingly, Interfor accrues the cost of road deactivation as the related timber is cut, including those expenses in the cost of current production. The estimate of future road deactivation cost is based on comprehensive plans prepared by Professional Foresters and Engineers employed by Interfor and includes such considerations as road structure and terrain. Estimates of road deactivation liability could be materially impacted by unfavourable terrain, changing legislative requirements and standards, or inaccurate projections, which could result in a charge against operating earnings. Each of these estimates is reviewed regularly on an ongoing basis.

Pension and Other Post-retirement Benefits. The Company sponsors two defined benefit pension plans for those hourly employees not covered by forest industry union plans; a third defined benefit pension plan wound-up in the fourth quarter of 2014. It also sponsors two post-retirement medical and life insurance plans.

The Company retains independent actuarial consultants to value the defined pension benefit obligations, the post-retirement medical and life insurance obligations and related plan asset values. Actuarial assumptions used in the valuation of plan obligations and assets include assumptions for the discount rate used in calculations of net present value of obligations, expected rates of return on plan assets to be used to fund obligations, and assumed rates of increase for employee compensation and health care costs. Actual experience can vary materially from estimates and could result in a material charge against operating earnings as well as necessitate a current cash funding requirement.

Income Taxes. The Company's provision for income taxes, both current and deferred, is based on various judgments, assumptions and estimates including the tax treatment of transactions recorded in the Company's consolidated financial statements. Interfor records provisions for income taxes based on the respective tax rules and regulations in the jurisdictions in which the Company operates. Due to the number of variables associated with the judgments, assumptions and estimates, and differing tax rules and regulations across the multiple jurisdictions, the precision and reliability of the resulting estimates are subject to uncertainties and may change as additional information becomes known.

Income tax assets and liabilities, both current and deferred, are measured according to the income tax legislation that is expected to apply when the asset is realized or the liability settled. Deferred income tax assets and liabilities are comprised of the tax effect of temporary differences between the carrying amount and tax basis of assets and liabilities, tax loss carry forwards and tax credits. Assumptions underlying the composition of deferred income tax assets and liabilities include estimates of future results of operations and the timing of the reversal of temporary differences as well as the tax rates and laws in the applicable jurisdictions at the time of the reversal. The composition of deferred income tax assets and liabilities is reasonably likely to change from period to period due to the uncertainties surrounding these assumptions.

Accounting Policy Changes

A number of new standards, and amendments to existing standards and interpretations, were not yet effective for the year ended December 31, 2014, and have not been applied in preparing the Company's 2014 annual consolidated financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the financial statements.

IFRS 9, *Financial Instruments*, will replace the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*, will replace all existing IFRS revenue requirements. Application is required for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet completed an assessment of the impact, if any, of this standard on its financial statements.

Non-GAAP Measures

This MD&A makes reference to the following non-GAAP measures: EBITDA, Adjusted EBITDA, Pre-tax return on total assets and Net debt to invested capital, which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's unaudited interim and audited annual condensed consolidated financial statements prepared in accordance with IFRS:

Thousands of Canadian dollars	For the 3 months ended December 31, 2014	2013	For the year ended December 31, 2014	2013	2012
Adjusted EBITDA					
Net earnings (loss)	(5,187)	11,431	40,690	42,239	(9,474)
Add:					
Depreciation of plant and equipment	14,707	11,040	55,167	39,206	28,745
Depletion and amortization of timber, roads and other	8,699	6,253	28,912	23,061	23,648
Restructuring costs, capital asset and timber write-downs	857	49	24,129	371	529
Finance costs	2,268	2,097	8,915	9,069	6,441
Other foreign exchange loss (gain)	1,646	211	2,651	1,250	(189)
Income tax expense (recovery)	160	324	(16,230)	555	458
EBITDA	23,150	31,405	144,234	115,751	50,158
Add:					
Long term incentive compensation	13,864	5,205	23,933	18,841	10,065
Other expense (income)	(3)	(375)	37	(602)	(334)
Beaver sawmill post-closure wind-down costs	363	-	1,075	-	-
Adjusted EBITDA	37,374	36,235	169,279	133,990	59,889
Pre-tax return on total assets					
Operating earnings (loss) before restructuring and capital asset write-downs	(259)	13,737	60,192	52,882	(2,569)
Total assets(1)	1,058,346	812,305	946,325	728,083	623,438
Pre-tax return on total assets(2)	-0.1%	6.8%	6.4%	7.3%	-0.4%
Net debt to invested capital					
Net debt					
Long term debt	220,419	145,479	220,419	145,479	135,046
Cash and cash equivalents	(17,866)	(4,717)	(17,866)	(4,717)	(14,994)
Total net debt	202,553	140,762	202,553	140,762	120,052
Invested capital					
Net debt	202,553	140,762	202,553	140,762	120,052
Shareholders' equity	636,480	515,137	636,480	515,137	376,030
Total invested capital	839,033	655,899	839,033	655,899	496,082
Net debt to invested capital (3)	24.1%	21.5%	24.1%	21.5%	24.2%

Notes:
(1) Opening total assets for three month periods; average of opening and closing total assets for annual periods.
(2) Annualized rate.
(3) Net Debt to Invested Capital balances are as of the period end.

Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to the factors described below.

Price Volatility

The Company's operating results are affected by fluctuations in the selling prices for lumber, logs and wood chips. Prices are affected by such factors as the general level of economic activity in the markets in which the Company sells its products, interest rates, construction activity (in particular, housing starts in the United States, Canada, Japan and China), and log and chip supply/demand relationships. The Company's financial results may be significantly affected by changes in the selling prices of its products.

Competition

The markets for the Company's products are highly competitive on a global basis and producers compete primarily on the basis of price. In addition, a majority of the Company's lumber production is sold in markets where the Company competes against many producers of approximately the same or larger capacity. Some of the Company's competitors have greater financial resources and a number are, in certain product lines, lower-cost producers.

Factors which affect the Company's competitive position include:

- the foreign currency exchange rates;
- the cost of labour;
- the costs of harvesting or purchasing logs;
- the ability to secure a quality log supply matched to a sawmill's requirements;
- the quality of its products and customer service;
- the ability to secure space on vessels for overseas shipments and on trucks and railcars for North American
- shipments;
- the cost of export taxes payable on sales to the United States; and
- its ability to maintain high operating rates to leverage fixed manufacturing costs.

If the Company is unable to successfully compete on a global basis, its financial condition could suffer.

Availability and Cost of Log Supply

The log requirements of the Company's sawmills are met using logs harvested from its timber tenures, by long term trade and purchase agreements and by purchases on the open market and through timber sale bids. Logs produced but unsuitable for use in the Company's sawmills are either traded for suitable logs or sold on the open market. Operating at normal capacity, the Company's Canadian sawmills generally purchase less than 50% of their log requirements either through purchase agreements or on the open market. The Company relies almost entirely on purchased fibre through purchase agreements for its U.S. based sawmills, with a small volume occasionally supplied by the Company's Canadian coastal logging operations for the sawmill located on Washington's Olympic Peninsula. As a result, fluctuations in the price, quality or availability of log supply can have a material effect on the Company's business, financial position, results of operations and cash flow. In addition, weather-related issues can restrict timely access to log supply.

The Company relies on third-party independent contractors to harvest timber in areas over which it holds timber tenures. Increases in rates charged by these independent contractors or the limited availability of these independent contractors may increase the Company's timber harvesting costs.

Additionally, in order to ensure uninterrupted access to logs harvested from its timber tenures in Canada, the Company must also focus on the continuous development of road networks. This encompasses an integrated plan by foresters, engineers and logging operations personnel to identify future logging areas and develop the engineering for roads. The Company expects to fund its ongoing road development with cash generated from operations and through utilization of its existing Lines of Credit.

Natural or Man-Made Disasters

The Company's operations are subject to adverse natural or man-made events such as forest fires, severe weather conditions, climate change, timber disease and insect infestation and earthquake activity. These events could damage or destroy the Company's physical facilities or timber supply and similar events could also affect the facilities of the Company's suppliers or customers. Any such damage or destruction could adversely affect the Company's financial results as a result of decreased production output or increased operating costs. Although management believes it has reasonable insurance arrangements in place to cover certain of such incidents, there can be no assurance that these arrangements will be sufficient to fully protect the Company against such losses. As is common in the industry, the Company does not insure loss of standing timber for any cause.

Currency Exchange Sensitivity

The Company's Canadian operations ordinarily sell approximately 75% of their lumber into export markets, with the majority of these sales denominated in U.S. dollars and, to a lesser extent, in Japanese Yen. While the Canadian operations also incur some U.S. dollar–denominated expenses, primarily for ocean freight and other transportation and for equipment operating leases, the majority of expenses are incurred in Canadian dollars. The Company's operations in the United States transact primarily in U.S. dollars.

An increase in the value of the Canadian dollar relative to the U.S. dollar would reduce the amount of revenue in Canadian dollars realized by the Company from lumber sales made in U.S. dollars. This would reduce the Company's operating margin and the cash flow available to fund operations. Consequently, a significant strengthening of the Canadian dollar against the U.S. dollar could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Government Regulation

The Company's operations are subject to extensive provincial, state, federal or other laws and regulations that apply to most aspects of its business activities. Where applicable, the Company is required to obtain approvals, permits and licences for its operations as a condition to operate.

From time to time, changes in government policy or regulation may impact the Company's operations. Until the details of all such changes are announced and implemented, the full impact of these changes on the Company's production, costs, financial position and results of operations cannot be determined.

Allowable Annual Cut ("AAC")

The Company holds cutting rights in British Columbia that represent an AAC of approximately of 3.9 million cubic metres. Of this amount, 3.6 million cubic metres is in the form of replaceable tenures. The remaining portion is held in non-replaceable tenures (timber licences and non-replaceable forest licences) that will expire over time.

The AAC is regulated by the Ministry of Forests, Lands and Natural Resource Operations and is subject to periodic review to assess and then make determinations to set harvesting rates for each tenure. Many factors affect the AAC, such as timber inventory, operable land base, growth rates, regulations, forest health, land use and environmental and social considerations.

Reductions in the Company's AAC from any new protected areas are subject to compensation, once these areas have been formally removed. Currently there are no compensation claims outstanding.

The amount of timber available for harvest in the southern portion of the B.C. Interior is expected to remain stable for the next several years, then decline as a consequence of an accelerated harvest to address the impact from the mountain pine beetle epidemic. The overall timber supply is expected to be reduced in the B.C. Interior over the next three to ten years as the surplus of dead pine is no longer useable. The AAC determinations are made by the provincial Chief Forester in a Timber Supply Review process and will vary by location.

<u>Aboriginal Issues</u>

Aboriginal groups have claimed aboriginal title and rights over substantial portions of British Columbia, including areas where the Company's forest tenures are situated, creating uncertainty as to the status of competing property rights. The federal and provincial governments have been seeking to negotiate settlements with aboriginal groups throughout British Columbia in order to resolve aboriginal rights and title claims. In addition, the governments have entered, and may continue to enter, into interim measures agreements with aboriginal groups. Any interim measures, agreements or settlements that may result from the treaty process may involve a combination of cash, resources, grants of conditional rights to resources on public lands and rights of self-government. The impact of aboriginal claims or treaty settlements on the Company's forest tenures or the amounts of compensation to the Company, if any, cannot be estimated at this time.

The courts have also established that the Crown has a duty to consult with aboriginal groups and, where appropriate, accommodate aboriginal interests. However, questions of responsibility and appropriateness of balancing interests will continue to evolve as the parties try to address these long-standing and complex issues. The Government of British Columbia has been working to improve the functional relationship between the Crown and aboriginal groups prior to treaty settlement. The Province of British Columbia and First Nations groups on the coast of British Columbia have signed Reconciliation Protocols that provide a shared decision making process for resource and land use, as well as new forest sector opportunities. These agreements overlap portions of the Company's coastal tenures. The agreements will be assessed and monitored in the years ahead to determine the extent of any implications on those operations.

On June 26, 2014, the Supreme Court of Canada ("SCC") released its ruling on Tsilhqot'in vs. British Columbia. This ruling may define, for the first time, the criteria upon which aboriginal title rests and is considered a positive development for the Company. It is also an important motivation for the federal and provincial governments to move forward on the treaty process in British Columbia.

The SCC ruling applies to 2% of the Tsilhqot'in traditional territory in a remote area of central British Columbia – far removed from the Company's operations. To date, aboriginal title has not been established in any of the Company's tenures and doing so will likely be a lengthy and complex process. The Company will continue to manage its operations within the existing legal framework while paying close attention to the direction provided by the Province of British Columbia and First Nations regarding the application of this ruling. Therefore, risks and uncertainties remain consistent with those referenced above.

<u>Softwood Lumber Agreement</u>

A portion of the Company's products that are manufactured in Canada are exported for sale. The Company's financial results are dependent on continued access to the export markets and tariffs and other trade barriers that restrict or prevent access represent a continuing risk to the Company. As a result of the Softwood Lumber Agreement ("SLA") implemented by the federal governments of Canada and the United States on October 12, 2006, Canadian softwood lumber exporters pay an export charge when the Random Lengths Framing Lumber Composite Price ("RLCI") of lumber is at or below US$355 per mfbm. On January 23, 2012, Canada and the United States agreed to a two-year extension of the SLA through October 2015. The RLCI benchmark exceeded US$355 per mfbm for all but three months in 2013 and remained above this threshold for all of 2014.

There is no assurance that the SLA will be renewed or, if is renewed, that export duties will not be increased from current ranges or that other thresholds in the SLA, such as differential trigger prices, surge limits and quotas will not change in a manner that adversely affects the Company. Further, the expiry of the SLA without its renewal, or any amendments to the SLA, could result in the imposition of export duties or other protective measures, such as antidumping duties or countervailing duties, that are in excess of the range of export duties that are currently imposed under the SLA. The SLA provides that no action may be taken with respect to the imposition of softwood lumber duties from Canada for the twelve-month period following expiry of the SLA.

Stumpage Fees

The Province of British Columbia charges stumpage fees to companies that harvest timber from Crown land. Stumpage payments for a harvesting area are based on a competitive market pricing system ("MPS") that has been established for both the coast and interior regions of British Columbia.

The stumpage system is complex and the subject of discussion involving, among other things, lumber trade agreements between Canada and the United States. The primary variable in the MPS is log pricing established through open market bidding for standing timber. In addition to bid prices, there are a number of operational and administrative factors that determine an individual stumpage rate for each cutting permit.

Periodic changes in the provincial government's administrative policy can affect the market price for timber and the viability of individual logging operations. There can be no assurance that current changes or future changes will not have a material impact on stumpage rates.

Environment

The Company has incurred, and will continue to incur, costs to minimize environmental impact, prevent pollution and for continuous improvement of its environmental performance. The Company may discover currently unknown environmental problems or conditions relating to its past or present operations, or it may be faced with an unforeseen environmental liability in the future. This may require site or other remediation costs to maintain compliance or correct violations of environmental laws and regulations or result in governmental or private claims for damage to person, property or the environment, which could have a material adverse effect on the Company's financial condition and results of operations.

Labour Disruptions

Production disruptions resulting from walkouts or strikes by unionized employees could result in lost production and sales, which could have a material adverse impact on the Company's business. The Company believes that its current labour relations are stable and does not anticipate any related disruptions to its operations in the foreseeable future.

The Company depends on a variety of third parties that employ unionized workers to provide critical services to the Company. Labour disputes by these third parties could lead to disruptions at the Company's facilities. The Company's Acorn, Hammond, Grand Forks, and Castlegar sawmill employees are members of the Canadian United Steelworkers union ("USW"). The collective agreement with the Southern Interior USW agreement (Grand Forks and Castlegar) expires on June 30, 2018, while the USW agreement for the B.C. Coast (Acorn and Hammond) expires on June 15, 2019. The Company also has 22 employees in the B.C. Interior who are members of the Canadian Marine Service Guild ("CMSG"), and their collective agreement expired September 30, 2014. Negotiations with the CMSG regarding renewal of the expired agreement are in process, with employees continuing to work under the terms of the expired agreement with no workplace disruptions.

Additional Information

Additional information relating to the Company and its operations can be found on its website at www.interfor.com, in the Annual Information Form and on SEDAR at www.sedar.com.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the integrity and fair presentation of the accompanying consolidated financial statements. The financial statements were prepared in accordance with International Financial Reporting Standards and, where necessary, are based in part on management's best estimates and judgements. Financial information included elsewhere in the 2014 Annual Report is consistent with that disclosed in the consolidated financial statements.

Management maintains a system of internal accounting control which it believes provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal accounting control process includes communications to employees of Interfor's standards for ethical business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility primarily through its Audit Committee, the members of which are neither officers nor employees of Interfor. The Audit Committee meets periodically with management and the independent Auditors to satisfy itself that each group is properly discharging its responsibilities and to review the consolidated financial statements and the independent Auditors' report thereon. The Company's independent Auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders. The Committee also makes recommendations to the Board with respect to the appointment and remuneration of the independent Auditors.

The consolidated financial statements have been examined by the independent Auditors, KPMG LLP, whose report follows.

Duncan K. Davies
President and Chief Executive Officer

John A. Horning
Executive Vice President and Chief Financial Officer

February 12, 2015

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders

We have audited the accompanying consolidated financial statements of Interfor Corporation (the "Company") which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Interfor Corporation as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

KPMG LLP, Chartered Accountants

February 12, 2015
Vancouver, Canada

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

As at December 31, 2014 and 2013

	Note	December 31 2014	December 31 2013
Assets			
Current assets:			
Cash and cash equivalents	*10*	$ 17,866	$ 4,717
Trade accounts receivable and other		80,283	62,735
Inventories	*6*	148,668	149,509
Prepayments		12,175	11,374
		258,992	228,335
Employee future benefits	*22*	2,520	3,980
Other investments and assets	*7*	2,972	3,960
Property, plant and equipment	*8*	541,378	460,930
Logging roads and bridges	*9*	22,244	16,224
Timber licences	*9*	79,024	84,344
Other intangible assets	*9*	24,397	2,420
Goodwill	*9*	136,996	23,715
Deferred income taxes	*19*	-	218
		$ 1,068,523	$ 824,126
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable and provisions	*11*	$ 139,153	$ 98,017
Reforestation liability	*12*	9,797	11,754
Income taxes payable	*19*	365	395
		149,315	110,166
Reforestation liability	*12*	23,099	20,662
Long term debt	*10*	220,419	145,479
Employee future benefits	*22*	7,361	7,006
Provisions and other liabilities	*11*	25,190	25,676
Deferred income taxes	*19*	6,659	-
Equity:			
Share capital	*13*	490,363	428,723
Contributed surplus		7,476	7,476
Translation reserve		20,950	561
Hedge reserve		133	167
Retained earnings		117,558	78,210
		636,480	515,137
		$ 1,068,523	$ 824,126

Commitments and contingencies *(note 20)*; Subsequent events *(note 27)*.
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

L. Sauder, Director

D.W.G. Whitehead, Director

Consolidated Statements of Earnings

(Expressed in thousands of Canadian dollars, except earnings per share)
Years ended December 31, 2014 and 2013

	Note	2014	2013
Sales		$1,447,157	$1,105,222
Costs and expenses:			
Production		1,243,464	940,667
Selling and administration	5	35,489	28,829
Long term incentive compensation expense	11	23,933	18,841
Export taxes		-	1,736
Depreciation of plant and equipment	8	55,167	39,206
Depletion and amortization of timber, roads and other	9	28,912	23,061
		1,386,965	1,052,340
Operating earnings before restructuring costs		60,192	52,882
Restructuring costs	18	(24,129)	(371)
Operating earnings		36,063	52,511
Finance costs	16	(8,915)	(9,069)
Other foreign exchange loss		(2,651)	(1,250)
Other income (expense)	17	(37)	602
		(11,603)	(9,717)
Earnings before income taxes		24,460	42,794
Income tax expense (recovery):	19		
Current		1,342	463
Deferred		(17,572)	92
		(16,230)	555
Net earnings		$ 40,690	$ 42,239
Net earnings per share, basic and diluted	21	$ 0.62	$ 0.73

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars)
Years ended December 31, 2014 and 2013

	Note	2014	2013
Net earnings		$ 40,690	$ 42,239
Other comprehensive income:			
Items that will not be recycled to Net earnings:			
Defined benefit plan actuarial gains (losses)	*22*	(1,342)	5,832
Items that are or may be recycled to Net earnings:			
Foreign currency translation differences for foreign operations, net of tax		20,389	8,167
Gain (loss) in fair value of interest rate swaps	*26*	(34)	241
Reclassification of loss in fair value of interest rate swaps to Net earnings	*16*	-	58
Income tax on other comprehensive income	*19*	-	212
Total items that are or may be recycled to Net earnings		20,355	8,678
Total other comprehensive income, net of tax		19,013	14,510
Comprehensive income		$ 59,703	$ 56,749

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)
Years ended December 31, 2014 and 2013

	Note	Common Shares	Class B Shares	Contributed Surplus	Translation Reserve	Hedge Reserve	Retained Earnings	Total Equity
Balance at December 31, 2012		$ 342,285	$ 4,080	$ 7,476	$ (7,818)	$ (132)	$ 30,139	$ 376,030
Net earnings:		-	-	-	-	-	42,239	42,239
Other comprehensive income:								
Foreign currency translation differences for foreign operations, net of tax		-	-	-	8,379	-	-	8,379
Defined benefit plan actuarial gains	*22*	-	-	-	-	-	5,832	5,832
Gain in fair value of interest rate swaps	*26*	-	-	-	-	241	-	241
Reclassification of loss in fair value of interest rate swap to net earnings	*16*	-	-	-	-	58	-	58
Contributions:								
Share issuance, net of share issue expenses	*13(a)*	82,358	-	-	-	-	-	82,358
Share exchange	*13(a)*	4,080	(4,080)	-	-	-	-	-
Balance at December 31, 2013		428,723	-	7,476	561	167	78,210	515,137
Net earnings:		-	-	-	-	-	40,690	40,690
Other comprehensive income (loss):								
Foreign currency translation differences for foreign operations, net of tax		-	-	-	20,389	-	-	20,389
Defined benefit plan actuarial losses	*22*	-	-	-	-	-	(1,342)	(1,342)
Loss in fair value of interest rate swaps	*26*	-	-	-	-	(34)	-	(34)
Contributions:								
Shares issued in business combination	*5, 13(a)*	61,640	-	-	-	-	-	61,640
Balance at December 31, 2014		$ 490,363	$ -	$ 7,476	$ 20,950	$ 133	$117,558	$ 636,480

See accompanying notes to consolidated financial statements.

INTERFOR
Building Value.

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)
Years ended December 31, 2014 and 2013

	Note	2014	2013
Cash provided by (used in):			
Operating activities:			
Net earnings		$ 40,690	$ 42,239
Items not involving cash:			
Depreciation of plant and equipment	*8*	55,167	39,206
Depletion and amortization of timber, roads and other	*9*	28,912	23,061
Income tax expense (recovery)	*19*	(16,230)	555
Finance costs	*16*	8,915	9,069
Other assets		986	884
Reforestation liability	*12*	1,910	2,599
Other liabilities and provisions		(63)	6,612
Write-down of plant and equipment	*8,18*	20,468	-
Unrealized foreign exchange losses (gains)		2,191	(14)
Other income (expense)	*17*	46	(484)
		142,992	123,727
Cash generated from (used in) operating working capital:			
Trade accounts receivable and other		(8,628)	(9,667)
Inventories		15,083	(40,866)
Prepayments		1,236	493
Trade accounts payable and accrued liabilities		14,185	24,495
Income taxes paid		(3,077)	(652)
		161,791	97,530
Investing activities:			
Additions to property, plant and equipment	*8*	(48,922)	(33,038)
Additions to logging roads	*9*	(26,656)	(18,676)
Additions to timber and other intangible assets	*9*	(2,818)	(16,531)
Acquisitions	*5*	(124,421)	(120,407)
Proceeds on disposal of property, plant and equipment		1,926	2,089
Investments and other assets		(13)	(108)
		(200,904)	(186,671)
Financing activities:			
Issuance of share capital, net of share issue expenses	*13(a)*	-	82,358
Interest payments		(7,122)	(7,142)
Debt refinancing costs		(757)	(1,460)
Additions to long term debt	*10*	480,487	326,738
Repayments of long term debt	*10*	(421,059)	(322,517)
		51,549	77,977
Foreign exchange gain on cash and cash equivalents held in a foreign currency		713	887
Increase (decrease) in cash and cash equivalents		13,149	(10,277)
Cash and cash equivalents, beginning of year		4,717	14,994
Cash and cash equivalents, end of year		$ 17,866	$ 4,717

See accompanying notes to consolidated financial statements.

1. Nature of operations:

Interfor Corporation and its subsidiaries (the "Company" or "Interfor") produce wood products in British Columbia, the U.S. Northwest and the U.S. Southeast for sale to markets around the world.

The Company is incorporated under the *Business Corporations Act* (British Columbia) with shares listed on the Toronto Stock Exchange. Its head office, principal address and records office are located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, Canada, V7X 1H7.

These consolidated financial statements of the Company as at and for the years ended December 31, 2014 and 2013 comprise the Company and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved by the Board of Directors on February 12, 2015.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the Statements of Financial Position:

(i) Derivative financial instruments are measured at fair value;

(ii) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

(iii) Employee benefit plan assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the defined benefit obligations on a plan by plan basis.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency. Certain of the Company's subsidiaries have a functional currency of the U.S. dollar and are translated to Canadian dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand except number of shares and per share amounts.

(d) Use of estimates and judgements:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of certain assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized, on a prospective basis, in the period in which the estimates are revised.

2. Basis of Preparation (continued):

(d) Use of estimates and judgements (continued):

Significant areas requiring the use of management estimates relate to the determination of restructuring, reforestation, road deactivation, environmental and tax obligations, share-based compensation, recoverability of assets, rates for depreciation, depletion and amortization, fair values of assets and liabilities acquired in business combinations and impairment analysis of non-financial assets including goodwill.

Information about the use of management estimates that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 3(e)	Inventories
Note 3(i)	Impairment of non-financial assets
Note 3(j)	Reforestation and other decommissioning provisions
Note 3(m)	Cash-settled share based compensation
Note 9	Roads and bridges, timber tenures, other intangible assets and goodwill
Note 12	Reforestation liability

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from their respective dates of acquisition or incorporation. All intercompany balances, including unrealized income and expenses arising from intercompany transactions have been eliminated upon consolidation.

The Company measures goodwill in business acquisitions at the acquisition date as the fair value of the consideration transferred including any non-controlling interest less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in Net earnings. Transaction costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

(b) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of the respective entity at transaction date exchange rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are revalued using the exchange rate on that date.

3. Significant accounting policies (continued):

(b) Foreign currency (continued):

(i) Foreign currency transactions (continued):

Foreign exchange differences arising on revaluation are recognized in Net earnings. Where revaluations relate to trade accounts receivable those foreign exchange differences are adjusted to Sales in the Statement of Earnings; where revaluations relate to trade accounts payable those foreign exchange differences are adjusted to Production costs in the Statement of Earnings.

(ii) Foreign operations:

Certain of the Company's subsidiaries have a functional currency of the U.S. dollar. Revenues and expenses of such foreign operations are translated to Canadian dollars at the transaction date exchange rate, or at average rates for the period which approximate the transaction date, as appropriate. Assets and liabilities are translated into Canadian dollars at exchange rates in effect at the reporting date. Related foreign currency translation differences are recognized in Other comprehensive income, and recorded to the Translation reserve in Equity.

Foreign currency translation differences residing in the Translation reserve will be released to Net earnings upon the reduction of the net investment in foreign operations through the sale, reduction or substantial liquidation of an investment position.

Monetary receivables from a foreign operation, the settlement of which are neither planned nor likely in the foreseeable future are considered to form part of the net investment in the foreign operation. Related foreign exchange translation differences are recognized in Other comprehensive income and presented in the Translation reserve in Equity.

(iii) Hedge of net investment in a foreign operation:

Financial liabilities denominated in foreign currencies are from time to time designated as a hedge of the Company's investments in foreign operations.

Foreign currency differences arising on the revaluation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in Foreign currency translation differences in Other comprehensive income to the extent that the hedge is effective, and presented in the Translation reserve in Equity. To the extent that the hedge is ineffective, such differences are recognized in Other foreign exchange gain (loss) in Net earnings.

When the Company terminates the designation of the hedging relationship and discontinues its use of hedge accounting, any accumulated unrealized foreign exchange differences remaining in the Translation reserve and subsequent unrealized foreign exchange differences are recorded in Other foreign exchange gain (loss) in Net earnings. When the hedged net investment is disposed of, the relevant amount in the Translation reserve is reclassified to Net earnings.

3. Significant accounting policies (continued):

(c) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade accounts payable and accrued liabilities, provisions, and loans and borrowings including long term debt.

Cash and cash equivalents and trade and other receivables are designated as loans and receivables and are initially measured at fair value plus any direct transaction costs and thereafter at amortized cost using the effective interest rate method, less any impairment losses.

Trade payables and accrued liabilities, provisions, and loans and borrowings including long term debt are designated as other financial liabilities and are initially measured at fair value and thereafter at amortized cost using the effective interest rate method.

There are no financial instruments classified as available-for-sale or held-to-maturity.

(ii) Derivative financial instruments:

The Company at times uses derivative financial instruments for economic hedging purposes in the management of foreign exchange, interest, and commodity price risk. The Company does not utilize derivative financial instruments for trading or speculative purposes.

The Company has chosen not to designate its derivative foreign currency exchange forward, collar and option contracts as hedges for accounting purposes. Consequently, these derivative financial instruments, designated as held-for-trading, are carried on the Statement of Financial Position at fair value, with changes in fair value being recorded in Other foreign exchange gain (loss) in Net earnings.

The Company at times holds derivative interest rate swaps to hedge its interest rate risk exposures and may designate these financial instruments as the hedging instrument in a cash flow hedge of fluctuations in market interest rates associated with specific drawings under its long term debt. The effective portion of changes in the fair value of the derivative are recognized in Other comprehensive income and presented in the Hedging reserve in Equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in Net earnings.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term interest bearing securities with maturities at their purchase date of three months or less.

(e) Inventories:

Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Cost is determined as the weighted average of cost of production on a three month rolling average, lagged by one month and adjusted for abnormal costs, as in the case of a curtailment. Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and selling expenses.

Log inventories are valued at the lower of cost and net realizable value on a specific boom basis where logs are boomed, or in aggregate on a species and sort basis where the logs are not boomed.

Cost for internally produced log inventories is determined as the weighted average cost of logging on a twelve month rolling average, lagged by one month, for the B.C. Coast and on a three month rolling average for the B.C. Interior, and adjusted for abnormal costs, as in the case of a curtailment. Log inventories purchased from external sources are costed at acquisition cost.

Net realizable value of logs is based on either market replacement cost or, for logs designated for lumber processing, on estimated net realizable value less estimated costs of completion and selling expenses.

Other inventories consist primarily of supplies which are recorded at lower of cost and replacement cost, which approximates net realizable value.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation on machinery and equipment is provided on the basis of hours operated relative to the asset's lifetime estimated operating hours. Depreciation on all other assets is provided on a straight-line basis (ranging from 2.5% to 33% per year) over the estimated useful lives of the assets.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if appropriate.

Maintenance costs are recorded as expenses as incurred, with the exception of programs that extend the useful life of an asset or increase its value, which are capitalized.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, being those requiring a substantial period of time prior to availability for their intended use, are capitalized.

(g) Logging roads and bridges:

Logging roads and bridges are recorded at cost less accumulated amortization and impairment losses. Road and bridge amortization is computed on the basis of timber cut relative to available timber.

Amortization methods, useful lives and residual values are reviewed annually and adjusted, if appropriate.

3. Significant accounting policies (continued):

(h) Intangible assets:

(i) Timber licences:

Timber licences are recorded at cost less accumulated depletion and impairment losses. Timber licence depletion is computed on the basis of timber cut relative to available timber. Tree farm and forest licences are depleted on a straight-line basis over 40 years. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

(ii) Goodwill:

Goodwill is measured at cost less accumulated impairment losses. See Note 3(a) for the policy on measurement of goodwill at initial recognition.

(iii) Other intangible assets:

Other intangible assets are recorded at cost less accumulated amortization and impairment losses. Amortization on other intangible assets is provided on a straight-line basis ranging from five to ten years, being the estimated useful lives of the assets. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

(i) Impairment of non-financial assets:

The Company's non-financial assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment tests are carried out annually for goodwill.

External indicators of impairment include adverse changes in expected future prices, costs and other market and economic factors. Internal indicators include changes in the expected useful life of an asset or changes to the planned capacity of an asset.

An impairment loss is charged to Net earnings if an asset's carrying amount exceeds its recoverable amount. The recoverable amount is calculated based on the higher of its fair value less direct costs to sell and its value in use.

Fair value is determined as the amount that would be obtained from the sale, net of direct selling costs, of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal and does not consider future capital enhancements.

For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units or "CGU"). Goodwill is allocated to CGU's or groups of CGU's expected to benefit from the synergies of the combination.

Impairment losses recognized for a CGU are first allocated to reduce the carrying amount of goodwill, if any, assigned to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

3. Significant accounting policies (continued):

(i) Impairment of non-financial assets (continued):

Non-financial assets, other than goodwill, for which an impairment was previously recognized, are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss is reversed, the increased carrying amount of the asset cannot exceed the carrying amount that would have been determined, net of amortization, had the impairment never been recognized.

An impairment loss recorded against goodwill is not reversed.

(j) Reforestation and other decommissioning provisions:

Forestry legislation in British Columbia requires the Company to incur the cost of reforestation on its forest, timber and tree farm licences and to deactivate logging roads once harvesting is complete and access is no longer required. Accordingly, the Company records the fair value of the costs of reforestation and road deactivation in the period in which the timber is cut, with the fair value of the liability determined with reference to the present value of estimated future cash flows.

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. The measurement under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is based on best estimates and can be based on internal or external costs, depending upon which is most likely. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing regulatory requirements and the expertise of Registered Professional Foresters and Engineers employed or contracted by the Company. Examples of considerations include the specifics of the areas logged and the treatments prescribed for those areas, as well as the timing and success rates of the planned activities in terms of reforestation; and road structure and terrain for road deactivation.

Discount rates reflect the risks specific to the decommissioning provision. Adjustments are made to decommissioning provisions each period for changes in the estimated timing or amount of cash flows, changes in the discount rate and the unwinding of the discount. As such, the discount rate reflects the current risk-free rate given that risks are incorporated into the future cash flow estimates.

In periods subsequent to the initial measurement, changes in the liability resulting from the passage of time are recognized as Finance costs and revisions to fair value calculations are recognized as Production costs in Net earnings as they occur.

(k) Environmental costs:

Environmental expenditures are expensed or capitalized depending upon their future economic benefit. Expenditures to prevent future environmental contamination are capitalized as plant and equipment. Expenditures that relate to an existing condition caused by past operations are expensed. Liabilities are recorded when rehabilitation efforts are likely to occur and the costs can be reasonably estimated.

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows using a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognized as a Finance cost in Net earnings.

3. Significant accounting policies (continued):

(l) Employee benefits:

Defined benefit pension and other post-retirement benefit obligation accruals are estimated using actuarial methods and assumptions, including management's best estimates of the discount rate, future investment earnings, salary escalation, and health care costs and are calculated using the projected unit credit method.

Plan assets are valued at fair value for the purpose of calculating the expected return on plan assets.

Actuarial gains and losses arise from actual experience being different from the assumptions, or changes in actuarial assumptions used to determine the defined benefit obligation, and are recognized in Retained earnings through Other comprehensive income in the year in which they occur.

Pension expenses for defined contribution plans are limited to the Company's contribution to the plans in respect of services rendered by employees, as the Company has no legal or constructive obligation to pay further amounts. Plans administered by the government and the industry-wide unionized employees' pension plan are treated as defined contribution plans.

(m) Cash-settled share based compensation:

The Company has a Share Appreciation Rights ("SAR") Plan, a Deferred Share Unit ("DSU") Plan and a Total Shareholder Return ("TSR") Plan for directors, officers and certain other eligible employees. The Company uses the fair value method of accounting for obligations under the SAR, DSU and TSR Plans.

Compensation expense is recorded for SARs over the vesting period based on the estimated fair value of the SARs at the date of grant. Fair value is measured using a Black-Scholes option pricing model and is adjusted to reflect the number of SARs expected to vest.

Compensation expense is recorded for DSUs either at the time of the grant, in the case of DSUs which vest immediately, or over the performance period, in the case of DSUs with deferred vesting, based on the fair value at the date of the grant.

Compensation expense is recorded for TSRs over the performance period based on the estimated fair value of the TSRs at the date of the grant. Fair value is measured using a combination of call options which are valued using a Black-Scholes pricing model.

The fair value of the SARs, DSUs and TSRs are subsequently measured at each reporting date with any changes in fair value reflected in the Long term incentive compensation expense in Net earnings. Liabilities are recorded in Trade accounts payable and provisions and Provisions and other liabilities on the Statement of Financial Position.

(n) Sales revenue:

The Company recognizes sales to external customers when the product is shipped and title passes. Sales are recorded on a gross basis, including amounts charged to customers for freight, wharfage and handling costs. Actual costs of export taxes and for freight, wharfage and handling are recorded to Export taxes and Production, respectively, in Net earnings.

3. Significant accounting policies (continued):

(o) Finance income and costs:

Finance income comprises net interest income on funds invested.

Finance costs comprise net interest expense on borrowings, the unwinding of the discount on decommissioning provisions, net interest on defined benefit plans, the amortization of prepaid finance costs and other related transaction costs.

(p) Income tax:

Income tax expense comprises current and deferred income tax. Current and deferred income taxes are recognized in Net earnings except to the extent that they relate to a business combination, or items recognized directly in Equity or in Other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Earnings per share:

Basic earnings per share is computed by dividing Net earnings by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting the Net earnings and the weighted average number of common shares outstanding during the reporting period for the effects of all dilutive potential common shares, including outstanding share options, if any.

3. Significant accounting policies (continued):

(r) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements.

IFRS 9, *Financial Instruments*, will replace the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

In May 2014, the International Accounting Standards Board issued IFRS 15, *Revenue from Contracts with Customers*, which will supercede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017. The Company is in process of assessing the impact, if any, on the financial statements of this new standard.

4. Changes in accounting policy:

Effective January 1, 2014, IAS 32, *Offsetting Financial Assets and Financial Liabilities*, was revised to clarify the requirements relating to the offset of financial assets and financial liabilities and was applied retrospectively. The Company has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments had no impact on the amounts recognized in the Company's consolidated financial statements.

Effective January 1, 2014, IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*, was revised to remove the requirement to disclose the recoverable amount of a CGU to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment of reversal of impairment of the related CGU. The application of these amendments had no impact on the disclosures in the Company's consolidated financial statements.

5. Acquisition:

On March 14, 2014, a wholly-owned subsidiary of Interfor acquired all of the outstanding common shares of Tolleson Ilim Lumber Company ("Tolleson") from Ilim Timber Continental, S.A. ("Ilim"), pursuant to a Share Purchase Agreement for total consideration of $188,545,000. Tolleson, through its wholly-owned subsidiary, owns and operates two sawmills in Perry and Preston, Georgia, and a remanufacturing facility in Perry, Georgia. Subsequent to the acquisition, both Tolleson and its wholly-owned subsidiary were merged into the Company's wholly-owned subsidiary which had acquired the common shares of Tolleson.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

5. Acquisition (continued):

The acquisition has been accounted for as a business combination and the value of consideration transferred is allocated as follows:

	Note	
Assets acquired:		
Cash and cash equivalents		$ 2,484
Other current assets		16,790
Property, plant and equipment	*8*	86,561
Other intangible assets	*9*	22,190
Goodwill	*9*	107,419
		235,444
Liabilities assumed:		
Current liabilities		(15,929)
Long term provisions and other liabilities		(6,697)
Deferred income taxes	*19*	(24,273)
		$ 188,545

Consideration funded by:		
Current liabilities		$ 2,086
Operating Line	*10(a)*	24,964
Revolving Term Line	*10(b)*	99,855
Share capital (3,680,000 Common Shares)	*13(a)*	61,640
		$ 188,545

As part of the acquisition, the Company entered into a non-competition agreement with Ilim under which Ilim and its associates are prohibited from carrying on various activities within Canada and the U.S. that would be in competition with the Company's operating activities for a period of five years from the acquisition date. An intangible asset of $22,190,000 was recognized in respect of this non-competition agreement, which will be amortized to expense over its five year term.

The goodwill of $107,419,000 recognized in the transaction is calculated as the excess of the purchase consideration transferred over the fair values of the identifiable assets acquired and liabilities assumed. The factors that contribute to the recognition of goodwill include Tolleson's historical cash flows and income levels, reputation in its markets, management team strength, efficiency of operations, synergies with other Interfor-owned sawmills in close proximity, and future cash flows and income growth projections. None of the goodwill is expected to be tax deductible.

In conjunction with recognizing a $24,273,000 deferred tax liability in accounting for the acquisition of Tolleson, the Company recognized $19,253,000 of previously unrecognized deferred tax assets related to its U.S. operations. The recognition of these deferred income tax assets is included in the $17,572,000 deferred income tax recovery in Net earnings.

Transaction costs of $1,368,000 related to the acquisition have been expensed in Selling and administration expenses in Net earnings.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

5. Acquisition (continued):

Since acquisition, Tolleson contributed sales of $126,067,000 and earnings of $12,016,000 to the Company's results. If the acquisitions had occurred on January 1, 2014, management estimates that Sales and Net earnings would have been $1,477,716,000 and $39,672,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2014.

In 2013, the Company acquired Rayonier Inc.'s Wood Products Business in Georgia, U.S. for $86,641,000 and the sawmill operations of Keadle Lumber Enterprises, Inc. in Thomaston, Georgia for $41,129,000. The Thomaston sawmill acquisition resulted in the recognition of $10,518,000 in goodwill.

6. Inventories:

	2014	2013
Logs	$ 71,841	$ 89,170
Lumber	66,798	51,449
Other	10,029	8,890
	$ 148,668	$ 149,509

Inventory expensed in the period includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. The inventory write-down to record inventory at the lower of cost and net realizable value at December 31, 2014 was $9,774,000 (2013 - $7,926,000).

7. Other investments and assets:

	2014	2013
Timber deposits and other investments and deposits	$ 809	$ 1,771
Deferred financing fees, net of accumulated amortization	2,163	2,189
	$ 2,972	$ 3,960

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

8. Property, plant and equipment:

Cost	*Note*	Land	Buildings	Machinery and Equipment	Mobile Equipment	Computer Equipment	Site Improvements	Other	Projects in Process	Total
Balance at December 31, 2012		$ 35,066	$ 61,496	$ 413,382	$ 15,697	$ 19,047	$ 38,023	$ 6,192	$ 6,568	$ 595,471
Additions		-	-	-	466	1,200	-	351	32,796	34,813
Acquisitions	*5*	3,479	13,911	79,346	1,568	2,739	3,198	59	553	104,853
Disposals		(80)	(5)	(1,129)	(707)	(162)	(10)	(20)	(10)	(2,123)
Transfers		-	8,906	14,282	1,790	452	4,146	244	(29,820)	-
Exchange rate movements		246	1,703	13,432	234	636	652	61	220	17,184
Balance at December 31, 2013		38,711	86,011	519,313	19,048	23,912	46,009	6,887	10,307	750,198
Additions		212	382	-	787	1,319	2,604	1,302	40,618	47,224
Acquisitions		1,930	4,972	73,368	2,927	1,535	1,824	5	-	86,561
Disposals		(106)	(123)	(1,270)	(719)	(21)	(208)	(15)	-	(2,462)
Transfers		-	1,141	25,626	5,163	370	4,445	2,303	(39,207)	(159)
Exchange rate movements		654	3,489	27,251	685	1,209	1,796	92	697	35,873
Balance at December 31, 2014		$ 41,401	$ 95,872	$ 644,288	$ 27,891	$ 28,324	$ 56,470	$ 10,574	$ 12,415	$ 917,235
Accumulated Depreciation			Buildings	Machinery and Equipment	Mobile Equipment	Computer Equipment	Site Improvements	Other		Total
Balance at December 31, 2012			$ 26,998	$ 169,689	$ 12,155	$ 13,702	$ 18,942	$ 4,206		$ 245,692
Depreciation			3,483	28,861	1,232	2,378	2,867	385		39,206
Disposals			(3)	(852)	(570)	(162)	(5)	(20)		(1,612)
Transfers			-	-	-	(6)	-	6		-
Exchange rate movements			551	4,365	143	497	373	53		5,982
Balance at December 31, 2013			31,029	202,063	12,960	16,409	22,177	4,630		289,268
Depreciation			4,684	41,145	2,125	2,934	3,687	592		55,167
Disposals			(102)	(959)	(374)	(14)	(208)	(15)		(1,672)
Transfers			-	11	-	(6)	11	(16)		-
Impairment			2,996	16,672	-	7	793	-		20,468
Exchange rate movements			1,147	9,513	293	831	765	77		12,626
Balance at December 31, 2014			$ 39,754	$ 268,445	$ 15,004	$ 20,161	$ 27,225	$ 5,268		$ 375,857
Net book value at										
December 31, 2013		$ 38,711	$ 54,982	$ 317,250	$ 6,088	$ 7,503	$ 23,832	$ 2,257	$ 10,307	$ 460,930
December 31, 2014		41,401	56,118	375,843	12,887	8,163	29,245	5,306	12,415	541,378

There were no borrowing costs capitalized in 2014 (2013 - $nil). As at December 31, 2014, additions includes $1,698,000 in accrued contract costs (2013 - $3,428,000).

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

9. Roads and bridges, timber tenures, other intangible assets and goodwill:

Cost	*Note*	Roads and Bridges	Timber Licences	Other Intangibles	Goodwill
Balance at December 31, 2012		$ 52,744	$ 116,280	$ 4,778	$ 13,955
Additions		18,676	14,342	2,189	-
Acquisition		-	-	-	10,518
Disposals		(21,624)	(1,269)	-	-
Exchange rate movements		130	-	106	119
Balance at December 31, 2013		49,926	129,353	7,073	24,592
Additions		26,656	-	2,818	-
Transfers		-	-	159	-
Acquisition	*5*	-	-	22,190	107,419
Disposals		(7,461)	-	-	-
Exchange rate movements		279	-	1,179	5,862
Balance at December 31, 2014		$ 69,400	$ 129,353	$ 33,419	$ 137,873

Accumulated amortization	Roads and Bridges	Timber Licences	Other Intangibles	Goodwill
Balance at December 31, 2012	$ 35,428	$ 42,484	$ 4,040	$ 877
Amortization	19,152	3,392	517	-
Disposals	(20,932)	(867)	-	-
Exchange rate movements	54	-	96	-
Balance at December 31, 2013	33,702	45,009	4,653	877
Amortization	19,539	5,320	4,053	-
Disposals	(6,280)	-	-	-
Exchange rate movements	195	-	316	-
Balance at December 31, 2014	$ 47,156	$ 50,329	$ 9,022	$ 877
Net book value at				
December 31, 2013	$ 16,224	$ 84,344	$ 2,420	$ 23,715
December 31, 2014	22,244	79,024	24,397	136,996

For the purpose of impairment testing, goodwill of $13,078,000 and $123,918,000 are attributable to the Coastal Whitewood cash-generating unit ("CWW CGU") and the U.S. Southeast cash-generating units ("SE CGU's"), respectively.

The recoverable amounts for the goodwill impairment assessments were based on the CGU's (or groups of CGU's) value in use and were determined by discounting the future cash flows generated from the continuing use of the units for a period of twenty years. The cash flows were projected based on past experience, actual operating results and the five year business plan in both 2013 and 2014. Due to the cyclical nature of the forest industry, cash flows for a further 15 years were extrapolated based on an average trend year.

The recoverable amount of the CWW CGU and the SE CGU's as at December 31, 2014, and December 31, 2013 were determined to be higher than the related carrying amount and no impairment has been recognized.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

9. Roads and bridges, timber tenures, other intangible assets and goodwill (continued):

Key assumptions used are based on industry sources, including Forest Economic Advisors, LLC and Resources Information Systems Inc., as well as management estimates. These assumptions include lumber and residual chip sales prices, applicable foreign exchange rates, operating rates of the assets, raw material and conversion costs, the level of sales to the U.S. from Canada, the export tax rate and the future capital required to maintain the assets in their current operating condition.

A pre-tax discount rate of 16 percent (2013 – 16 percent) was applied in determining the recoverable amounts of each of the CGU's. The discount rate was estimated with the assistance of external experts, past experience, and the industry average weighted average cost of capital. An inflation rate of 2.0 percent (2013 – 1.2 percent) is applied to the model for years four through twenty.

The values assigned to key assumptions represent management's assessment of future trends in the forest industry and are based on both external sources and internal historical data.

10. Cash and borrowings:

2014	Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
Available line of credit	$ 65,000	$250,000	$116,010	$ 34,803	$ 465,813
Maximum borrowing available	65,000	250,000	116,010	34,803	465,813
Drawings	-	104,409	116,010	-	220,419
Outstanding letters of credit included in line utilization	8,637	-	-	1,183	9,820
Unused portion of line	$ 56,363	$ 145,591	$ -	$ 33,620	$ 235,574
2013					
Available line of credit	$ 65,000	$200,000	$ 53,180	$ 21,272	$ 339,452
Maximum borrowing available	65,000	200,000	53,180	21,272	339,452
Drawings	936	90,619	53,180	744	145,479
Outstanding letters of credit included in line utilization	7,529	-	-	-	7,529
Unused portion of line	$ 56,535	$ 109,381	$ -	$ 20,528	$ 186,444

(a) Operating Line:

The Canadian operating line of credit ("Operating Line") may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of total debt divided by twelve months' trailing EBITDA[1]. Borrowing levels under the line are subject to a borrowing base calculation dependent on certain accounts receivable and inventories. The Operating Line matures on February 27, 2017.

[1] EBITDA represents earnings before interest, taxes, depreciation, depletion, amortization and non-cash asset revaluations.

10. Cash and borrowings (continued):

(a) Operating Line (continued):

The Operating Line is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The Operating Line is subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

As at December 31, 2014, the Operating Line was drawn by $8,637,000 (2013 - $8,465,000), including outstanding letters of credit.

In March, 2014, the Company drew US$22,500,000 under its Operating Line to fund its acquisition in the U.S. (see note 5), which it designated as a hedge against the Company's investment in its U.S. operations. In April, 2014, the Company transferred this borrowing to the Revolving Term Line facility. The Company recognized unrealized foreign exchange gains of $72,000 (2013 - $nil) in Other comprehensive income in relation to the Operating Line borrowing in 2014.

(b) Revolving Term Line:

The Revolving Term Line may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of total debt divided by twelve months' trailing EBITDA[1]. The Revolving Term Line matures on February 27, 2017.

The Revolving Term Line is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The term line is subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

On March 31, 2014, the Company increased the credit available under its Revolving Term Line from $200,000,000 to $250,000,000. All other terms and conditions of this line remained unchanged.

In March, 2014, the Company drew US$90,000,000 under its Revolving Term Line to fund its acquisitions in the U.S., which it designated as a hedge against the Company's investment in its U.S. operations. During the year, the Company repaid US$142,700,000 of drawings under the Revolving Term Line previously designated as a hedge (see note 26(c)). Related cumulative unrealized foreign exchange losses remain in Foreign currency translation differences in Other comprehensive income.

As at December 31, 2014, the Revolving Term Line was drawn by US$90,000,000 (2013 – US$85,200,000) revalued at the year-end exchange rate to $104,409,000 (2013 - $90,619,000), being the total drawings under the facility and leaving an unused available line of $145,591,000 (2013 - $109,381,000).

[1] EBITDA represents earnings before interest, taxes, depreciation, depletion, amortization and non-cash asset revaluations.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

10. Cash and borrowings (continued):

(b) Revolving Term Line (continued):

All outstanding U.S. dollar drawings under the Revolving Term Line have been designated as a hedge against the Company's investment in its U.S. operations and cumulative unrealized foreign exchange losses of $10,770,000 (2013 – $5,538,000) arising on revaluation of the Revolving Term Line, and from translation of U.S. dollar borrowings designated as hedges and since repaid, were recognized in Foreign currency translation differences in Other comprehensive income.

(c) Senior Secured Notes:

On June 26, 2013, the Company issued US$50,000,000 of Series A Senior Secured Notes, bearing interest at 4.33%. On December 17, 2014, the Company issued US$50,000,000 of Series B Senior Secured Notes (together with the Series A Senior Secured Notes, the "Senior Secured Notes"), bearing interest at 4.02%. The Senior Secured Notes are subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation. Payments of US$33,334,000 are required on each of June 26, 2021 and 2022, with the balance due on June 26, 2023.

As at December 31, 2014, Senior Secured Notes of US$100,000,000 were outstanding (2013 – US$50,000,000) and revalued at the quarter-end exchange rate to $116,010,000 (2013 - $53,180,000).

The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of $4,705,000 (2013 –$635,000) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income for the year ended December 31, 2014.

(d) U.S. Operating Line:

The U.S. Operating Line is secured by accounts receivable and inventories of wholly-owned subsidiary, Interfor U.S. Inc., and matures on April 28, 2015. The U.S. Operating Line is subject to a minimum tangible net worth convenant, with borrowing levels subject to a collateral calculation dependent upon certain accounts receivable and inventories. On March 21, 2014, the Company increased the credit available under this agreement from US$20,000,000 to US$30,000,000.

As at December 31, 2014, the U.S. Operating Line was drawn by US$1,020,000, including outstanding letters of credit (2013 – US$700,000), revalued at the year-end exchange rate to $1,183,000 (2013 –$744,000), with cumulative unrealized foreign exchange losses of $115,000 (2013 –$67,000) recognized in Foreign currency translation differences in Other comprehensive income.

Minimum principal amounts due on long term debt are follows:

2015	$ -
2016	-
2017	104,409
2018	-
2019	-
Thereafter	116,010
	$ 220,419

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

10. Cash and borrowings (continued):

(e) Cash and cash equivalents:

At December 31, 2014, the Company's cash balances are restricted by contractor holdback payments of $15,000 (2013 - $168,000).

11. Provisions and other liabilities:

2014	*Note*	Current	Non-current	Total
Restructuring	*11(a), 18*	$ 627	$ 1,498	$ 2,125
Road deactivation	*11(a)*	406	3,645	4,051
Environmental	*11(a)*	56	772	828
Cash-settled share based compensation				
SAR Plan	*11(b)*	12,450	2,494	14,944
TSR Plan	*11(c)*	10,614	5,059	15,673
DSU Plan	*11(d)*	763	10,614	11,377
Storm damage remediation funds	*11(e)*	224	310	534
Air permit contingent payment	*11(f)*	8,121	-	8,121
Retained compensation liabilities	*11(g)*	7,193	382	7,575
Other		1,175	416	1,591
		$ 41,629	$ 25,190	$ 66,819

2013	*Note*	Current	Non-current	Total
Restructuring	*11(a), 18*	$ 506	$ 24	$ 530
Road deactivation	*11(a)*	659	3,257	3,916
Environmental	*11(a)*	73	719	792
Cash-settled share based compensation				
SAR Plan	*11(b)*	8,047	1,987	10,034
TSR Plan	*11(c)*	5,613	5,243	10,856
DSU Plan	*11(d)*	243	6,147	6,390
Storm damage remediation funds	*11(e)*	228	349	577
Air permit contingent payment	*5, 11(f)*	-	7,445	7,445
Other		1,021	505	1,526
		$ 16,390	$ 25,676	$ 42,066

The current portion of provisions and other liabilities is included in Trade accounts payable and provisions in the Statements of Financial Position.

(a) Provisions:

Forestry legislation in British Columbia requires the Company to deactivate logging roads once harvesting is complete and access is no longer required. Accordingly, the Company records the fair value of the costs of road deactivation in the period in which the timber is harvested, with the fair value of the liability determined with reference to the present value of estimated future cash flows.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

11. Provisions and other liabilities (continued):

(a) Provisions (continued):

Environmental provisions are made when rehabilitation efforts are likely to occur and the costs can be reasonably estimated. The environmental provision relates primarily to obligations of the Castlegar sawmill.

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows using a current pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognized as a Finance cost in Net earnings.

	Note	Restructuring	Road deactivation	Environmental
Balance at December 31, 2012		$ 457	$ 4,007	$ 832
Provisions made during year	*18*	371	451	-
Liabilities assumed with timber acquisition		302	95	-
Expenditures made during year		(600)	(357)	(11)
Reversal of provision during year		-	(170)	-
Unwind of discount		-	68	13
Changes in estimated future expenditures		-	(178)	(42)
Balance at December 31, 2013		530	3,916	792
Provisions made during year	*18*	3,248	628	-
Expenditures made during year		(1,810)	(103)	(2)
Unwind of discount		-	83	15
Changes in estimated future expenditures		-	(473)	23
Exchange rate movements		157	-	-
Balance at December 31, 2014		$ 2,125	$ 4,051	$ 828

(b) Share Appreciation Rights Plan:

Awards under the SAR Plan have been granted to directors, officers and certain employees of the Company. The vesting of SARs occurs at a rate of 40% two years after granting and 20% per annum thereafter. SARs expire ten years after the date of grant. The SAR Plan uses notional units that are valued based on the Company's Common Share price on the Toronto Stock Exchange. The units are exercisable for cash and recorded as liabilities. Under the SAR Plan, awards will be expensed over the vesting periods based on the estimated fair value of the SARs at the date of grant. Fair value is measured using a Black-Scholes option pricing model and is adjusted to reflect the number of SARs expected to vest. Fair value of the SARs is subsequently measured at each reporting date with any change in fair value resulting in a change in the measure of the compensation for the award, which is amortized over the remaining vesting periods.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

11. Provisions and other liabilities (continued):

(b) Share Appreciation Rights Plan (continued):

Details of the Company's SAR Plan for the years ended December 31, 2014 and 2013 are as follows:

	2014		2013	
	Units	Weighted average strike price	Units	Weighted average strike price
Outstanding, beginning of year	1,410,850	$ 5.29	1,898,710	$ 5.29
Granted	147,403	17.43	255,000	9.18
Exercised	(416,300)	5.19	(666,000)	5.97
Expired or cancelled	(28,000)	5.12	(76,860)	6.38
Outstanding, end of year	1,113,953	$ 7.35	1,410,850	$ 5.62
Units exercisable, end of year	427,350	$ 4.37	572,350	$ 5.03

Weighted average fair value assumptions for grants made in 2014 and 2013 are as follows:

	2014	2013
Risk-free interest rate	2.0%	1.7%
Expected life	8.2 years	8.2 years
Annualized volatility	45%	44%
Dividend rate	0%	0%
Termination rate	12%	12%
Grant date fair value	$9.06	$4.66

Details of units outstanding under the SAR Plan at December 31, 2014 are as follows:

	Units outstanding			Units exercisable	
Strike price	Number outstanding, December 31, 2014	Weighted average remaining unit life (yrs)	Weighted average strike price	Number exercisable, December 31, 2014	Weighted average strike price
$1.38-$4.64	324,050	5.3	$ 3.45	173,250	$ 2.42
$4.77-$5.40	187,900	4.2	4.87	140,900	4.89
$6.01-$7.09	184,100	4.8	6.14	87,700	6.29
$8.02-$17.43	417,903	7.2	12.02	25,500	8.02
	1,113,953		$ 7.35	427,350	$ 4.37

The Company recorded a Long term incentive compensation expense in respect of the SAR Plan of $9,210,000 (2013 – $6,963,000) for the year ended December 31, 2014.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

11. Provisions and other liabilities (continued):

(c) Total Shareholder Return Plan:

Under terms of the TSR Plan, a participant will receive a target number of performance share units ("PSUs") based on a target award divided by the value of the Company's Common Shares at the effective date of the grant. The number of PSUs which will ultimately vest will be in a range from 50% to 150% of the original grant based on total shareholder return over a three year performance period.

The number of PSU's outstanding at December 31, 2014 and 2013 are as follows:

	2014	2013
Outstanding, beginning of year	872,699	662,951
Granted	171,730	209,748
Matured	(326,961)	-
Cancelled	(8,254)	-
Outstanding, end of year	709,214	872,699

Compensation expense is recorded for the TSR Plan over the performance period based on the estimated fair value of the TSR Plan payable at the date of the grant. The fair value of obligations under the TSR Plan is subsequently measured at each reporting date with any changes in fair value reflected in Long term incentive compensation expense in Net earnings.

Fair value of the TSR Plan is measured using a combination of call options which are valued using a Black-Sholes pricing model with weighted average assumptions for grants as follows:

	2014	2013
Risk-free interest rate	1.4%	1.5%
Expected life	3 years	3 years
Annualized volatility	47% to 56%	46% to 56%
Dividend rate	0.00%	0.00%
Termination rate	0.00%	0.00%
Grant date fair value	$87,316	$1,509

The Company recorded Long term incentive compensation expense under the TSR Plan of $10,429,000 (2013 – $9,223,000) for the year ended December 31, 2014.

(d) Deferred Share Unit Plan:

The Company's directors and certain officers participate in the DSU Plan. The DSU Plan, which allows for immediate or deferred vesting, is intended to provide a better link between share performance and compensation for the participants, in that DSUs either increase or decrease in value in a direct relationship with the market price of the Company's Common Shares.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

11. Provisions and other liabilities (continued):

(d) Deferred Share Unit Plan (continued):

Participants in the TSR Plan may elect, subject to the approval of the Company's Board of Directors, to receive their award in DSUs at the end of any performance period. DSUs may also be granted directly to directors or officers of the Company at the discretion of the Board and Directors, who may also elect to take DSUs as payment of their annual retainer.

The number of DSUs outstanding at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Units	Average unit value	Units	Average unit value
Outstanding, beginning of year	498,593	$13.48	504,825	$ 8.09
Granted[1]	70,656	15.29	87,472	10.80
Exercised	(18,000)	21.51	(93,704)	11.64
Outstanding, end of year	551,249	$21.27	498,593	$13.48

Changes to the market value of the Company's Common Shares subsequent to issuance of awards will result in adjustments to the compensation accrual and Long term incentive compensation expense in Net earnings. The Company recorded an expense of $4,890,000 (2013 – $2,752,000) for the year ended December 31, 2014 in respect of the DSU Plan, of which $4,294,000 was recorded in Long term compensation expense and $596,000 (2013 - $302,000), related to payment for director's fees, was recorded in Selling and administration expense.

[1]Fair value at the date of the grants.

(e) Storm damage remediation funds:

In 2011, the Company settled with its insurers for recovery of certain losses relating to storm damage suffered in 2010. An amount of $1,576,000 was set up as a provision for future remediation on roads and bridges. Under the terms of the insurance settlement, the insurance proceeds must be used for remediation. As at December 31, 2014, $534,000 (2013 - $577,000) of this provision remains unspent.

(f) Air permit contingent payment:

Upon acquisition of the Thomaston sawmill operations from Keadle Lumber Enterprises Inc. in 2013, the Company agreed to pay additional consideration of US$7,000,000, contingent upon receipt of an upgrade to the air permit which will allow the Company to operate a second shift. Approval was received on February 28, 2014, with the payment to be made on February 27, 2015. The liability, revalued at the year-end exchange rate to $8,121,000 (2013 - $7,445,000), is included in Trade accounts payable and provisions as at December 31, 2014.

(g) Retained compensation liabilities:

Upon acquisition of the Tolleson sawmills on March 17, 2014, the Company assumed certain incentive payments payable to certain senior management over a four year period. The liability of US$6,530,000 was revalued at the year-end exchange rate to $7,575,000 (2013 - $nil).

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

12. Reforestation liability:

The Company has an obligation to reforest areas harvested under various timber rights. The obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation.

Changes in the reforestation liability for the years ended December 31 are as follows:

	2014	2013
Reforestation liability, beginning of year	$ 32,416	$ 28,485
Reforestation expense on current logging and market logging agreements	11,264	13,283
Liabilities assumed with timber acquisition	-	2,279
Reforestation expenditures	(11,770)	(11,341)
Unwind of discount	529	441
Changes in estimated future reforestation expenditures	457	(731)
	$ 32,896	$ 32,416
Consisting of:		
Current reforestation liability	$ 9,797	$ 11,754
Long term reforestation liability	23,099	20,662
	$ 32,896	$ 32,416

The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation, adjusted for inflation, at December 31, 2014 is $34,628,000 (2013 - $35,060,000). The reforestation expenditures are expected to occur over the next one to fifteen years and have been discounted at a long term risk-free interest rate of 2% (2013 – 3%). Reforestation expense resulting from obligations arising from current logging are included in Production costs for the year and expense related to the unwinding of the discount is included in Finance costs.

13. Share capital:

(a) Share transactions:

Authorized capital at December 31, 2014 consists of:

- 150,000,000 Common Shares without par value; and
- 5,000,000 Preference Shares without par value.

On May 6, 2014, the Company eliminated its 1,700,000 authorized Class B Common Shares ("Class B"), known as Multiple Voting Shares, re-designated its Class A Subordinate Voting Shares ("Class A") as Common Shares, and increased its authorized Common Shares by 50,000,000 shares to 150,000,000 shares.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

13. Share capital (continued):

(a) Share transactions (continued):

Share transactions during 2014 and 2013 were as follows:

	Number			
Issued and Fully Paid	Common	Class B	Total	Amount
Balance, December 31, 2012	54,847,176	1,015,779	55,862,955	$ 346,365
Share issued for cash, net of share issue expenses	7,187,500	-	7,187,500	82,358
Class B shares converted to Common shares	1,015,779	(1,015,779)	-	-
Balance, December 31, 2013	63,050,455	-	63,050,455	428,723
Shares issued in business combination (see note 5)	3,680,000	-	3,680,000	61,640
Balance, December 31, 2014	66,730,455	-	66,730,455	$ 490,363

On August 23, 2013, the Company's controlling shareholder, Sauder Industries Limited ("SIL") exercised its right under the Company's Articles to exchange its Class B Shares for Common Shares on a share for share basis without any cash or non-cash consideration. As a result of the exchange by SIL, all remaining Class B Shares were automatically converted to Common Shares.

On September 30, 2013, the Company closed a public offering of 7,187,500 Common Shares at a price of $12.00 per share for gross proceeds of $86,250,000 less transaction costs of $3,892,000 to net cash proceeds of $82,358,000.

Proceeds were used to fund completion of capital projects to increase the operational efficiency of, and support higher operating rates from, the Company's assets. Initially, a portion of the proceeds was used to reduce the Company's debt levels.

On March 14, 2014, the Company issued 3,680,000 Common Shares to partially fund the acquisition of Tolleson (see note 5).

There were no changes to contributed surplus in 2014 or 2013.

At December 31, 2014, 1,631,740 Common Shares are reserved for possible future issuance pursuant to the share option plan.

(b) Share option plan:

The Company has an employee share option plan for its key employees and directors. The vesting of the options occurs at a rate of 40% two years after granting and 20% per annum thereafter. Options expire ten years after the date of the grant. There were no options outstanding at December 31, 2014 and 2013.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

14. Depreciation, depletion and amortization:

Depreciation, depletion and amortization allocated by function are as follows:

	2014	2013
Production	$ 79,359	$ 61,300
Selling and administration	4,720	967
	$ 84,079	$ 62,267

15. Personnel expenses:

	Note	2014	2013
Wages and salaries		$ 178,902	$ 133,795
Government administered pensions and unemployment insurance		10,054	6,601
Workers' compensation insurance		5,046	3,392
Contributions to defined contribution plans	*22*	9,543	5,789
Expenses related to defined benefit plans	*22*	1,270	1,183
Cash-settled share based payment transactions and other long term compensation expense	*11*	23,933	18,841
Medical, dental, group insurance and other		16,446	11,046
		$ 245,194	$ 180,647

16. Finance costs:

Recognized in Net earnings:

	2014	2013
Interest on borrowing	$ (7,568)	$ (7,460)
Net interest on defined benefit plans	79	(210)
Reclassification of loss in fair value of interest rate swap from Other comprehensive income	-	(58)
Unwind of discount on provisions	(627)	(522)
Amortization of deferred finance costs	(799)	(819)
	$ (8,915)	$ (9,069)

Recognized in Other comprehensive income:

	2014	2013
Effective portion of changes in fair value of interest rate swap	$ (34)	$ 241

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

17. Other income (expense):

	2014	2013
Gain (loss) on disposal of surplus equipment, licences and roads	$ (46)	$ 484
Gain on lumber futures trading	9	118
	$ (37)	$ 602

18. Restructuring costs:

	Note	2014	2013
Write down of plant and equipment	*8*	$ 20,468	$ -
Severance	*11*	1,575	371
Onerous contract	*11*	1,673	-
Other		413	-
		$ 24,129	$ 371

On June 27, 2014, the Company curtailed its Beaver-Forks operation, located on the Olympic Peninsula in Washington. As a result, in 2014 the Company recorded provisions for severance, remediation, and an onerous contract totaling $2,362,000, an impairment charge of $20,468,000 on the plant and equipment to reduce the carrying value of these assets to estimated fair values, partially offset by a deferred income tax recovery of $8,532,000. The Company announced the permanent closure of the Beaver-Forks operation on July 31, 2014.

The Company also recorded other severance costs of $886,000.

19. Income taxes:

Income tax expense is as follows:

	2014	2013
Current tax expense:		
Current year	$ 1,281	$ 434
Adjustments for prior periods	61	29
	1,342	463
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	3,330	13,273
Changes in tax rates	-	(529)
Change in unrecognized deferred income tax assets	(20,902)	(12,652)
	(17,572)	92
	$ (16,230)	$ 555

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

19. Income taxes (continued):

Income tax expense (recovery) recognized in Other comprehensive income is as follows:

	2014	2013
Loss (gain) on hedge of net investment in foreign operation	$ -	$ 212
	$ -	$ 212

The reconciliation of income taxes at the statutory rate to the income tax expense (recovery) is as follows:

	2014	2013
Income tax expense at the statutory rate of 26.00% (2013 – 25.75%)	$ 6,360	$ 11,019
Benefits of previously unrecognized deferred income tax assets	(20,902)	(12,652)
Entities with different tax rates and foreign rate adjustments	(639)	2,618
Change in future tax rates and statutory and tax recovery rate difference	-	(529)
Other	(1,049)	99
	$ (16,230)	$ 555

The statutory tax rate increased by 0.25% as a result of changes to the B.C. income tax rate enacted in 2013.

Unrecognized deferred income taxes:

The Company has unrecognized deferred income tax assets in relation to certain deductible temporary differences and unused tax losses that are available to carry forward against future taxable income. The Company's Canadian non-capital loss carry-forwards and U.S. net operating loss carry-forwards total approximately $249,000,000 (2013 - $276,000,000), expire between 2023 and 2033, and are available to reduce future taxable income.

Although the Company expects to realize the full benefit of the loss carry-forwards and other deferred income tax assets, due to the cyclical nature of the wood products industry and the economic conditions over the past several years, the Company has not recognized the benefit of its deferred income tax assets in excess of its deferred income tax liabilities in respect of Canadian operations, except in limited circumstances.

Deferred income tax assets are not recognized in respect of the following:

	2014	2013
Losses carried forward	$ 25,119	$ 80,592
Deductible temporary differences	3,903	2,561
	$ 29,022	$ 83,153

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

19. Income taxes (continued):

Recognized deferred income taxes:

December 31, 2014	Opening Balance	Recognized in Income Tax Expense	Recognized in Other Comprehensive Income (loss)	Acquired in Business Combination	Ending Balance
Deferred income tax assets					
Losses	$ 59,904	$ 12,400	$ -	$ -	$ 72,304
Reserves	15,242	3,093	-	6,244	24,579
Tax credits	955	-	-	-	955
Defined benefit plan actuarial losses	692	-	-	-	692
Share issuance costs	694	-	-	-	694
Other	1,252	1,474	-	(188)	2,538
Deferred income tax liabilities					
Capital assets	(78,521)	605	-	(30,329)	(108,245)
Loss (gain) on hedge of net investment in foreign operation	-	-	(176)	-	(176)
Total	$ 218	$ 17,572	$ (176)	$ (24,273)	$(6,659)

December 31, 2013	Opening Balance	Recognized in Income Tax Expense	Recognized in Other Comprehensive Income (loss)	Acquired in Business Combination	Ending Balance
Deferred income tax assets					
Losses	$ 52,471	$ 7,433	$ -	$ -	$ 59,904
Reserves	12,394	2,848	-	-	15,242
Tax credits	955	-	-	-	955
Defined benefit plan actuarial losses	680	12	-	-	692
Share issuance costs	668	26	-	-	694
Other	1,523	(271)	-	-	1,252
Deferred income tax liabilities					
Capital assets	(68,331)	(10,190)	-	-	(78,521)
Loss (gain) on hedge of net investment in foreign operation	(262)	50	212	-	-
Total	$ 98	$ (92)	$ 212	$ -	$ 218

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

20. Commitments and contingencies:

(a) Operating leases and contractual obligations:

The Company is obligated under various operating leases and contracts requiring minimum annual payments in each of the next five years as follows:

2015	$ 24,620
2016	6,220
2017	3,820
2018	2,350
2019	2,160

(b) Surety Performance Bonds:

The Company has posted $21,129,000 in surety performance bonds, with various expiry dates extending through December, 2020.

(c) Other contingencies:

The Company is subject to a number of claims arising in the normal course of business in respect of which either an adequate provision has been made or for which no material liability is expected.

21. Net earnings per share:

Net earnings per share is based on the earnings attributable to shareholders and a weighted average number of Common Shares outstanding for the year.

The reconciliation of the numerator and denominator is determined as follows:

	2014			2013		
	Net earnings	Weighted average number of Shares	Per share	Net earnings	Weighted average number of Shares	Per share
Issued Shares at January 1		63,050			55,863	
Effect of Shares issued on:						
September 30, 2013		-			1,831	
March 14, 2014		2,955			-	
Basic and diluted earnings (loss) per share	$ 40,690	66,005	$ 0.62	$ 42,239	57,694	$ 0.73

There were no share options outstanding at December 31, 2014 (2013 – nil).

22. Employee future benefits and other post-retirement plans:

The Company maintains a number of savings and retirement plans that are available to employees that meet certain eligibility requirements.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

22. Employee future benefits and other post-retirement plans (continued):

(a) Defined contribution plans:

In Canada, salaried employees of the Company are provided with the opportunity to make voluntary contributions to a Registered Retirement Savings Plan ("RRSP") based on a percentage of an employee's earnings. The Company matches employees' RRSP contributions with contributions to a Deferred Profit Sharing Plan ("DPSP") with the employee's future retirement benefits based on these contributions along with investment earnings on the contributions.

For the DPSP, the Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2014, the pension expense for this plan is equal to the Company's contribution of $2,649,000 (2013 - $1,324,000).

Certain eligible employees of the Canadian Merchant Services Guild ("CMSG") are required to make contributions based on a percentage of earnings into a defined contribution plan. For 2014, the pension expense is equal to the Company's contribution of $49,000 (2013 - $49,000).

Employees of Interfor U.S. Inc. and Interfor Cedarprime Inc., the Company's wholly-owned U.S. operating subsidiaries, contribute a percentage of their earnings to a 401(k) plan which the Company matches and which vest immediately. The Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2014, the pension expense for this plan is equal to the Company's contribution of $2,502,000 (2013 - $1,317,000).

(b) Unionized employees' pension plan:

The Company contributes to an industry-wide benefit plan for unionized employees based on a predetermined amount per hour worked by an employee. For 2014, the pension expense for these plans is equal to the Company's contribution of $3,346,000 (2013 - $2,420,000). As there is insufficient information available to enable the Company to account for this plan as a defined benefit plan, the plan has been accounted for as a defined contribution plan. The Company's liability is limited to its contributions.

(c) Supplementary pension plans:

The Company provides supplementary pension benefits to certain members of its senior management in the form of a notional extension to the DPSP in Canada and the 401(k) plan in the U.S. These commitments are not funded but are fully accrued by the Company, with a portion of the commitments being secured by irrevocable letters of credit.

During 2014 the Company recorded an expense of $792,000 (2013 - $679,000) in respect of these plans. The amounts accrued for defined contribution commitments is $5,481,000 (2013 - $4,926,000).

The accrued liabilities of this plan are included in the Company's Statements of Financial Position as follows:

	2014	2013
Trade accounts payable and provisions	$ 372	$ 317
Employee future benefits obligation	5,109	4,609
	$ 5,481	$ 4,926

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans:

The Company and the non-union hourly employees at the Adams Lake operations make contributions to a defined benefit pension plan that provides pension benefits upon retirement. The plan entitles a retired employee to receive monthly payments based on a schedule of defined benefit accruals for different periods of service.

The Company makes contributions to a defined benefit pension plan that provides pension benefits to certain eligible employees of the CMSG upon retirement. The plan provides a retired employee a monthly payment based on a percentage of their average earnings at retirement, and their years of service. In addition, the Company provides post-retirement medical and life insurance benefits to certain eligible CMSG retirees.

The Company maintains a non-contributory defined benefit pension plan for a former senior executive.

The Company made contributions to a defined benefit pension plan that provided pension benefits to the eligible employees of wholly-owned subsidiary Seaboard Shipping Company Limited ("SSCL") upon retirement. The plan provided a retired employee a monthly payment based on a percentage of their final average salary at retirement, and their years of service. Effective December 31, 2013, the plan was terminated and all plan benefits were settled with either the purchase of annuities from an insurance company on November 28, 2014 or via lump sum payments. In addition, the Company provides post retirement life insurance benefits to eligible SSCL retirees. Specified individuals at SSCL also receive a supplemental pension upon retirement based on a percentage of final average earnings at retirement, and years of service.

The Company measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

The most recent and the next scheduled actuarial valuations for funding purposes for the significant pension plans are:

	Most Recent Valuation	Next Scheduled Valuation
Adams Lake Pension Plan	December 31, 2013	December 31, 2016
CMSG Pension Plan	December 31, 2013	December 31, 2016

The significant pension plans are subject to the statutory requirements (including minimum funding requirements) of their respective jurisdictions and the Income Tax Act. Each plan's pace of funding is determined by the Company, subject to the statutory minimums and maximums.

In 2014, the Company paid contributions of $1,333,000, and in lieu of making cash special payments to fund certain deficits, posted letters of credits totaling $2,376,000. In 2015, the Company expects to pay contributions of $739,000 to its defined benefit plans, and hold a total of $2,376,000 of letters of credit.

The Company has determined that, in accordance with statutory requirements of the plans (such as minimum funding requirements), the present value of refunds or reductions in future contributions for all plans is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. The settlement of the SSCL Plan resulted in a change in the effect of the asset ceiling, excluding interest, of $700,000.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

The following summarizes the pension and other post-retirement obligations:

	Pension Benefits		Other Post-retirement Benefits	
	2014	2013	2014	2013
Defined benefit obligation:				
Beginning of year	$ 53,178	$ 54,812	$ 1,545	$ 1,833
Service cost	746	716	35	45
Employee contributions	369	342	-	-
Interest cost	2,430	2,272	72	78
Benefit payments	(2,839)	(3,222)	(70)	(87)
Past service cost (settlements)	(186)	-	-	(17)
Actuarial loss (gain) due to:				
Demographic assumptions	798	1,043	29	28
Financial assumptions	5,422	(3,390)	89	(1)
Experience adjustment	165	605	-	(334)
Settlements	(11,354)	-	-	-
End of year	$ 48,729	$ 53,178	$ 1,700	$ 1,545
Plan assets:				
Beginning of year	$ 56,882	$ 51,897	$ -	$ -
Interest on plan assets	2,595	2,139	-	-
Employer contributions	1,263	1,471	70	87
Employee contributions	369	342	-	-
Benefit payments	(2,839)	(3,222)	(70)	(87)
Administration costs	(374)	(228)	-	-
Actuarial gain	4,395	4,483	-	-
Settlements	(11,716)	-	-	-
End of year	$ 50,575	$ 56,882	$ -	$ -
Asset ceiling:				
Beginning of year	$ (700)	$ -	$ -	$ -
Interest effect	(32)	-	-	-
Impact of settlements	732	(700)	-	-
End of year	$ -	$ (700)	$ -	$ -

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

The following summarizes the balances recognized on the Statements of Financial Position:

	Pension Benefits		Other Post-retirement Benefits	
	2014	2013	2014	2013
Fair value of plan assets	$ 50,575	$ 56,882	$ -	$ -
Present value of unfunded obligations	393	414	1,700	1,545
Present value of funded obligations	48,336	52,764	-	-
Surplus (deficit)	1,846	3,704	(1,700)	(1,545)
Effect of asset ceiling limit	-	(700)	-	-
Accrued benefit (obligation)	$ 1,846	$ 3,004	$ (1,700)	$ (1,545)

The following table shows the Company's net expense recognized in the Statement of Earnings and the actuarial (gains) losses recognized in Retained earnings through Other comprehensive income:

	Pension Benefits		Other Post-retirement Benefits	
	2014	2013	2014	2013
Statement of Earnings				
Production expense	$ 1,120	$ 944	$ 35	$ 28
Finance (income) costs	(133)	133	72	78
Restructuring costs	176	-	-	-
	$ 1,163	$ 1,077	$ 107	$ 106
Other comprehensive loss (income)				
Actuarial losses (gains)	$ 1,990	$ (6,225)	$ 118	$ (307)
Effect of asset ceiling limit	(732)	700	-	-
	$ 1,258	$ (5,525)	$ 118	$ (307)

The Company's accrued benefit assets (liabilities) are included in the Company's Statements of Financial Position as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2014	2013	2014	2013
Employee future benefits asset	$ 2,520	$ 3,980	$ -	$ -
Trade accounts payable and provisions	(72)	(74)	(50)	(50)
Employee future benefits obligation	(602)	(902)	(1,650)	(1,495)
	$ 1,846	$ 3,004	$ (1,700)	$ (1,545)

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

22. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

Plan assets consist of:

Asset category	2014	2013
Investment Funds		
Canadian Equity	$ 13,515	$ 16,630
Global	14,855	14,494
Money Market	816	28
Fixed Income	19,809	24,090
Balanced	520	527
Cash	66	88
Other	994	1,025
Total	$ 50,575	$ 56,882

The plan assets held in investment funds are managed by Investment Managers and the fair values of these investments have been determined based on the unit price of the underlying funds. As such, all investment funds are categorized as Level 2 in the fair value hierarchy.

Actuarial assumptions used in accounting for the Company maintained benefit plans (expressed as weighted averages) are:

	Pension Benefits		Other Post-retirement Benefits	
	2014	2013	2014	2013
Defined benefit obligation as of December 31				
Discount rate	3.99%	4.69%	4.00%	4.65%
Compensation increases[1]	3.50%	3.22%	-	-
Pension expense				
Discount rate	4.74%	4.19%	4.75%	4.25%
Compensation increases[1]	3.50%	3.39%	-	-

[1]Compensation increases only relate to the CMSG plan and the SSCL plans.

For measurement purposes at December 31, 2014, the Company has assumed a 5.85% health care cost trend in 2015 grading down to 4.38% in 2021 (2013 – 5.85% health care cost trend in 2014 grading down to 4.38% in 2021).

	Pension Benefits	Other Post-retirement Benefits
Effect of 1% decrease in discount rate on defined benefit obligation	$ 7,138	$ 234

The sensitivity to the discount rate has been determined assuming all other assumptions remain unchanged. An increase in the discount rate would have an opposite effect of similar magnitude.

The weighted average durations of the defined benefit pension plans and other post-retirement benefit plans is twelve years.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

22.Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

Through its defined benefit pension plans and other post-retirement benefits, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset liability mismatch – The defined benefit plan obligations are calculated using a discount rate set with reference to corporate bond yields. While the Adams Lake and CMSG pension plans hold some fixed income investments, both plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term. However, in the short term, there will be volatility in the funded status of the plans. The duration of the invested assets for the SSCL plan is approximately matched by the duration of the liabilities and are all held in fixed income investments.

Life expectancy – The majority of obligations are to provide benefits for the life of the member, so increases in life expectancy would result in increased obligations.

23.Related party transactions:

(a) Key management personnel compensation:

Key management personnel are comprised of the Company's directors and executive officers.
The remuneration of key management personnel, was as follows:

	2014	2013
Salary and short-term employee benefits	$ 6,577	$ 4,339
Post-employment benefits	671	412
Other long term benefits	-	(97)
Share-based compensation expense	18,791	14,016
	$ 26,039	$ 18,670

Obligations in relation to key management personnel, including directors, are as follows:

	2014	2013
Trade accounts payable and provisions	$ 13,824	$ 7,960
Employee benefits obligation	3,238	3,131
Provisions and other liabilities	16,761	11,675
	$ 33,823	$ 22,766

(b) On August 23, 2013, SIL ceased to be a significant shareholder (see Note 13(a)). Prior to that date, the Company had lumber sales to SIL in the amount of $474,000.

All transactions were conducted on a normal commercial basis, including terms and prices.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

24. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company harvests and purchases logs which are sorted by species, size and quality and then either manufactured into lumber products at the Company's sawmills, or sold. Substantially all operations are located in British Columbia, Canada and the Northwest and Southeast regions of the U.S.

The Company sells to both foreign and domestic markets as follows:

	2014	2013
United States	$ 864,309	$ 556,878
Canada	231,733	226,989
China/Taiwan	170,785	130,697
Japan	127,279	121,548
Other export	53,051	69,110
	$ 1,447,157	$ 1,105,222

Sales by product line are as follows:

	2014	2013
Lumber	$ 1,177,258	$ 872,264
Logs	144,770	136,633
Wood chips and other by products	105,506	72,418
Ocean freight and other	19,623	23,907
	$ 1,447,157	$ 1,105,222

Non-current assets by geographic location are as follows:

	2014	2013
Canada	$ 342,290	$ 345,256
United States	467,241	250,535
	$ 809,531	$ 595,791

25. Capital management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the pre-tax return on total assets, which it defines as operating earnings before restructuring and capital asset write-downs, divided by the average of Total assets for the period.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital position. The Company's target is to create value for its shareholders over the long term through increases in share value.

25. Capital management (continued):

There were no changes in the Company's approach to capital management during 2014. Under its debt financing agreements, the Company cannot exceed a total debt to total capitalization ratio of 45%, with total debt defined as the total of indebtedness, including letters of credit, and long term debt, net of cash and cash equivalents up to $20 million; and total capitalization defined as total debt plus shareholders' equity and subordinated debt, excluding non-controlling interests, deferred income taxes, and a maximum of $20 million cumulative (from January 1, 2012) non-cash asset revaluations. The financial covenants under the debt financing agreements also carry a minimum working capital and a minimum net worth requirement.

The Company is in compliance with all of its debt covenants and expects to remain in compliance.

26. Financial instruments:

(a) Fair value of financial instruments:

At December 31, 2014, the fair value of the Company's long term debt approximated its carrying value of $220,419,000 (2013 - $145,479,000). The fair values of other financial instruments approximate their carrying values due to their short-term nature.

(b) Derivative financial instruments:

The Company uses a variety of derivative financial instruments to reduce its exposures to risks associated with fluctuations in foreign exchange rates, lumber prices, and floating interest rates on long-term debt. These include foreign currency exchange forward, collar and option contracts, interest rate swaps and lumber futures.

On March 25, 2013, the Company entered into two interest rate swaps, each with notional value of US$25,000,000 and maturing February 17, 2017. Under the terms of these swaps the Company pays an amount based on a fixed annual interest rate of 0.84% and receives a 90 day LIBOR which is recalculated at set interval dates.

On April 14, 2014, the Company entered into two additional interest rate swaps, each with a notional value of US$25,000,000 and maturing on April 14, 2016. Under the terms of these interest swaps, the company pays an amount based on a fixed annual interest rate of 0.58% and receives a 90 day LIBOR which is recalculated at set interval dates.

The intent of these interest rate swaps is to convert floating-rate interest expense to fixed-rate interest expense and each has been designated as a cash flow hedge.

In respect of its trading in foreign currency exchange forward, collar and option contracts, and interest rate swaps, the Company does not expect any credit losses in the event of non-performance by counterparties as the counterparties are the Company's Canadian bankers, which are all highly rated.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

26. Financial instruments (continued):

(b) Derivative financial instruments (continued):

Fair value of the Company's derivative financial instruments is measured based on Level 2 of the fair value hierarchy as defined under IFRS 13, *Fair Value Measurement* and summarized in the following table as at December 31.

	2014	2013
Foreign exchange collars and forward contracts	$ (177)	$ 136
Interest rate swaps	132	166
Total asset (liability), net	$ (45)	$ 302

Financial instruments in an asset position are classified as Trade accounts receivable and other in the Statements of Financial Position, while financial instruments in a liability position are classified as Trade accounts payable and provisions. Assets and liabilities are not netted, for purposes of presentation on the Statements of Financial Position.

The following table summarizes the gain (loss) on derivative financial instruments for the years ended December 31, 2014 and 2013.

	2014	2013
Foreign exchange collars and forward contracts[1]	$ (884)	$ (1,138)
Interest rate swaps[2]	(34)	241
Lumber futures[3]	9	118
Total gain (loss), net	$ 909	$ (779)

[1] Recognized in Other foreign exchange gain (loss) in Net earnings.
[2] Recognized in Other comprehensive income.
[3] Recognized in Other income (loss) in Net earnings.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

26. Financial instruments (continued):

(c) Hedge of investment in foreign operations:

As at December 31, 2014, U.S. dollar borrowings under the Revolving Term Line and Senior Secured Notes were designated as hedges against the Company's investment in its U.S. operations with unrealized foreign exchange gains (losses) recorded in Other comprehensive income as follows:

					Unrealized foreign exchange gains (losses)[2]	
Designation date	Opening balance[1]	Additions[1]	Payments[1]	Closing balance[1]	2014	2013
October 1, 2008[3]	$ 30,200	$ -	$ (30,200)	$ -	$ (1,259)	$(2,075)
March 2, 2013[3]	55,000	-	(55,000)	-	(4,184)	(2,265)
June 19, 2013[3]	-	-	-	-	-	(1,495)
June 26, 2013[4]	50,000	-	-	50,000	120	(635)
July 1, 2013[3]	-	-	-	-	-	297
March 13, 2014[3]	-	112,500	(22,500)	90,000	(4,958)	-
December 15, 2017[3]	-	35,000	(35,000)	-	(297)	-
December 17, 2014[4]	-	50,000	-	50,000	(4,825)	-
	$135,200	$197,500	$(142,700)	$190,000	$(15,403)	$(6,173)

[1]Denominated in U.S. dollars.
[2]Denominated in Canadian dollars.
[3]Drawn on Revolving Term Line.
[4]Drawn on Senior Secured Notes.

Repayments were de-designated as a hedge of the Company's investment in its U.S. operations.

(d) Financial risk management:

Financial instrument assets include cash and cash equivalents, deposits and accounts receivable. Cash and cash equivalents, deposits and accounts receivable are designated as loans and receivables and measured at amortized cost.

Financial instrument liabilities include bank indebtedness, accounts payable and other provisions, long term debt, and certain other long term liabilities. All financial liabilities are designated as other liabilities and are initially measured at fair value plus any direct transaction costs and subsequently at amortized cost using the effective interest method.

There are no financial instruments classified as available-for-sale or held-to-maturity.

The use of financial instruments exposes the Company to credit, liquidity and market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

26. Financial instruments (continued):

(d) Financial risk management (continued):

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its standards and procedures, management has developed a control environment in which employees are clear on roles and obligations and management regularly monitors compliance with its risk management policies and procedures.

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's receivables from customers and from cash and cash equivalents.

Accounts receivable

The Company's exposure to credit risk is dependent upon individual characteristics of each customer. Each new customer is assessed for creditworthiness before standard payment and delivery terms and conditions are offered, with such review encompassing any external ratings, and bank and other references. Purchase limits are established for each customer, and are regularly reviewed. In some cases, where customers fail to meet the Company's benchmark creditworthiness, the Company may choose to transact with the customer on a prepayment basis.

All North American sales are conducted under standard industry terms. All lumber sales outside of the North American markets are either insured as to 90% of receivable amounts by the Export Development Corporation or are secured by irrevocable letters of credit.

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. Historically, the Company has managed its credit tightly and has experienced minimal bad debts. Based on this past experience and its detailed review of trade accounts receivable past due which were considered uncollectible, a reserve in respect of doubtful accounts of $46,000 was recorded as at December 31, 2014 (2013 - $42,000).

Deposits

The Company limits it exposure to credit risk by only investing in liquid securities and only with counterparties that have a high credit rating. As such, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Company did not provide any guarantees in 2014.

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

26. Financial instruments (continued):

(d) Financial risk management (continued):

(i) Credit risk (continued):

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure for receivables in North America. As log and lumber sales outside of the North American markets are insured by the Export Development Corporation to 90% or secured by irrevocable letters of credit, credit exposure for these sales is limited.

Accounts receivable carrying values at the reporting date by geographic region were as follows:

	2014	2013
Canada	$ 16,107	$ 12,813
United States	44,975	31,093
Japan	7,848	7,962
China/Taiwan	4,444	5,065
Other	6,909	5,802
	$ 80,283	$ 62,735

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures, as far as possible, that it will always have sufficient liquidity to meet obligations when due and monitors cash flow requirements daily and projections weekly. Weekly debt graphs are reviewed by senior management to monitor cash balances and debt line utilizations.

The Company also maintains an Operating Line, a Revolving Term Line and a U.S. Operating Line that can be drawn on to meet obligations.

The estimated cash payments due in respect of contractual and legal obligations including projected major capital improvements are summarized as follows: [1]

		Payments due by period			
	Total	Up to 1 year	2-3 years	4-5 years	After 5 years
Trade accounts payable and accrued liabilities	$ 105,150	$ 105,150	$ -	$ -	$ -
Income taxes payable	365	365	-	-	-
Reforestation liability	34,628	9,797	9,040	8,456	7,335
Long term debt	220,419	-	104,709	-	115,710
Provisions and other liabilities	68,317	31,908	12,270	3,314	20,825
Operating leases and expected capital commitments	83,864	64,294	10,040	4,510	5,020
Total obligations	$ 512,743	$ 211,514	$ 136,059	$ 16,280	$ 148,890

[1] Figures in table may not add due to rounding.

26. Financial instruments (continued):

(d) Financial risk management (continued):

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return relative to risk.

Currency risk

The Company is exposed to currency risk on cash and cash equivalents, accounts receivable, accounts payable and provisions and long term debt that are denominated in a currency other than the respective functional currencies of the Company's domestic and foreign operations, primarily Canadian and U.S. dollars, but also the Euro, Sterling and Yen. The Company uses foreign currency exchange forward, collar and option contracts to manage its currency risk from time to time, as described in Note 26(b). The Company routinely assesses its foreign exchange exposure by reviewing outstanding contracts, pending order files and working capital denominated in foreign currencies.

At December 31, 2014, the Company has U.S. dollar drawings under its Revolving Term Line and Senior Secured Notes of US$190,000,000 (2013 – US$135,200,000). These U.S. dollar drawings have been designated as a hedge against the Company's net investment in its U.S. operations.

As at December 31, the Company's accounts receivable were denominated in the following currencies (in thousands):

2014	CAD	USD	Japanese ¥
Accounts receivable	19,745	20,773	27,211
Accounts receivable held by foreign subsidiaries with US$ functional currency	-	31,184	-
	19,745	51,957	27,211

2013	CAD	USD	Japanese ¥
Accounts receivable	15,109	18,926	160,548
Accounts receivable held by foreign subsidiaries with US$ functional currency	-	24,592	-
	15,109	43,518	160,548

As at December 31, 2014, the domestic operations of the Company held cash and cash equivalents of US$2,414,000 (2013 – US$1,071,000). Cash and cash equivalents held by foreign subsidiaries totaled US$9,650,000 (2013 - US$2,845,000).

Based on the Company's net exposure to foreign currencies as at December 31, 2014, including U.S. dollar denominated cash and cash equivalents, long term debt and other financial instruments, the sensitivity of the U.S. dollar balances to the Company's net annual earnings is as follows:

(Tabular amounts expressed in thousands of Canadian dollars, except number of shares and per share amounts)

26. Financial instruments (continued):

(d) Financial risk management (continued):

(iii) Market risk (continued):

U.S. dollar	\$0.01 increase vs CAD\$	\$150,000 decrease in net earnings

Based on the Company's net exposure to foreign currencies as at December 31, 2014, in respect of its net investment in U.S. subsidiaries, the sensitivity of the U.S. dollar balances to the Company's Other comprehensive income is as follows:

U.S. dollar	\$0.01 increase vs CAD\$	\$2,052,000 increase in OCI

Interest rate risk

The Company has reduced its exposure to changes in interest rates on borrowings by entering into interest rate swaps, as described in Note 26(b). The intent of these swaps is to convert floating-rate interest expense to fixed-rate interest expense. In addition, the Company has converted US\$100,000,000 of borrowings under its Revolving Term Line to fixed rate Senior Secured Notes (see Note 10(c)).

Based on the Company's average debt level during 2014, there is no net earnings exposure to changes in interest rates as all debt is covered by fixed rate instruments.

Other market price risk

The Company does not enter into commodity contracts other than to meet the Company's expected usage and sale requirements and such contracts are not settled net.

27. Subsequent events:

(a) Acquisition:

On December 18, 2014, a wholly-owned subsidiary of the Company entered into an asset purchase agreement with Simpson Lumber Company, LLC ("Simpson") to acquire its sawmill operations in Meldrim, Georgia; Georgetown, South Carolina; Longview, Washington; and Tacoma, Washington (the "Acquisition"). Consideration is comprised of US\$94,700,000, plus working capital and adjustments related to Simpson's pre-closing capital expenditure commitments, and a series of future payments tied to the financial performance of the Tacoma sawmill.

The contingent future payments will be calculated over the three years following the closing of the transaction as follows:

(i) An annual payment equal to half of the Tacoma sawmill's EBITDA for each of the three years post closing; and

(ii) A final payment at the end of the third year equal to 2.5 times the Tacoma sawmill's average annual EBITDA over the three year period.

The minimum total contingent future payments as outlined in (i) and (ii) combined will be US\$10,000,000.

27. Subsequent events (continued):

(a) Acquisition (continued):

Regulatory approval was received on January 23, 2015. The Acquisition remains subject to various closing conditions, and is anticipated to close on March 1, 2015. The Acquisition will be financed through proceeds from a share issuance (see Note 27 (b)) and from Interfor's existing credit facilities.

(b) Public offering:

On January 27, 2015, Interfor closed a bought deal public offering of subscription receipts (the "Subscription Receipts") through a syndicate of underwriters. The Company issued an aggregate of 3,300,000 (including 300,000 Subscription Receipts issued pursuant to the exercise of the over-allotment option) Subscription Receipts at a price of $20.10 per Subscription Receipt, for aggregate gross proceeds of $66,330,000 (the "Offering").

The gross proceeds from the Offering less one half of the underwriters' commission will be held in escrow until all conditions precedent to completion of the Acquisition from Simpson described above, have been satisfied. Each Subscription Receipt entitles the holder thereof, for no additional consideration and without further action, one Common Share of the Company upon the closing of the Acquisition. Net proceeds of the offering will be used to partially fund the acquisition price and thereby provide the Company with ongoing financial flexibility.

If the Acquisition does not close, holders of the Subscription Receipts will be entitled to receive the full purchase price of their Subscription Receipts, together with their pro rata share of interest earned thereon.

ANNUAL INFORMATION FORM

Prepared as of February 12, 2015

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. Forward-looking statements are statements that address or discuss activities, events or developments that the Company expects or anticipates may occur in the future. Forward-looking statements are included in the description of areas which are likely to be impacted by the description of future cash flows and liquidity under the headings. These forward-looking statements reflect management's current expectations and beliefs and are based on certain assumptions including assumptions as to general business and economic conditions in the U.S., Canada, Japan and China, as well as other factors management believes are appropriate in the circumstances. Such forward-looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what benefit the Company will derive from them. A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements, including those matters described in the 2014 annual Management's Discussion and Analysis under "Risks and Uncertainties" and in Interfor's current Annual Information Form. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstance, except as required by law.

DESCRIPTION OF THE BUSINESS

Interfor is a leading global supplier of lumber products. The Company has sawmilling operations in British Columbia, Washington, Oregon and Georgia and supplies lumber products to markets in North America, the Asia-Pacific region and Europe. The Company's annual production capacity is 2.4 billion board feet.

Interfor also owns value-added remanufacturing facilities in Washington and Georgia.

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

In this document, a reference to the "Company", "Interfor", "we" or "our" means Interfor Corporation and its predecessors and all our subsidiaries. Our significant wholly-owned subsidiary, Interfor U.S. Inc., is incorporated in the State of Washington and owns and operates our U.S. sawmills. Other wholly-owned subsidiaries include Interfor Cedarprime Inc. (incorporated in the State of Washington), Interfor Sales & Marketing Ltd. (incorporated in British Columbia), Interfor Japan Ltd. (incorporated in British Columbia), Interfor Insurance Corporation (incorporated in Barbados), and Seaboard Shipping Company Limited (incorporated in British Columbia).

HISTORY

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

RECENT DEVELOPMENTS

2012

North American lumber markets improved in 2012 as positive economic signs began to emerge in the U.S. and activity levels in China and Japan rose as the year progressed. Improved markets, combined with supply constraints, resulted in higher prices for most products especially in the second half of the year. Interfor took advantage of the improving market environment to increase operating rates with the combination of higher prices and increasing volumes contributing to better financial results relative to 2011. Capital upgrades started in 2011 at the Grand Forks sawmill were completed.

2013

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

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

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

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

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

2014

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

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

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

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

On December 18, 2014, Interfor signed an agreement to acquire four sawmills from Simpson Lumber Company, LLC, for consideration of US$94.7 million, plus working capital and contingent future consideration. The sawmills are located in Tacoma, Washington, Longview, Washington, Meldrim, Georgia and Georgetown, South Carolina and fit within the Company's existing operating infrastructure. Upon closing of this acquisition, Interfor's total production capacity will increase by 30% to 3.1 billion board feet. The Company's lumber capacity in the U.S. Southeast and U.S. Northwest will total 1.2 billion and 900 million board feet, respectively, representing 67% of the Company's total pro forma capacity. The completion of the transaction is subject to customary conditions and is expected to occur on March 1, 2015. Regulatory approval was received on January 23, 2015.

MANUFACTURING AND TIMBER SUPPLY

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

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

In addition to improving our manufacturing capability through upgrades, we have increased our efficiency and geographic diversity and expanded our capacity through the addition of two sawmills in Georgia during 2014.

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

Sawmills	Present Rated Capacity (1)	Production for years ended December 31,		
		2014	2013	2012
		(millions of board feet)		
B.C. Coast(2)	320	198	182	203
B.C. Interior	720	744	699	623
U.S. Northwest(3)	470	539	569	525
U.S. Southeast(4)	880	741	275	-
Total	2,390	2,222	1,725	1,351

(1) Based on two shifts per day and adjusted for regional operating parameters.
(2) Volumes include lumber custom-cut at third party facilities under the direction of Hammond management amounting to 11 million board feet in 2014.
(3) The Beaver sawmill was curtailed on June 27, 2014.
(4) The Baxley, Eatonton and Swainsboro sawmills were acquired March 1, 2013. The Thomaston sawmill was acquired on July 1, 2013. The Perry and Preston sawmills were acquired March 14, 2014. Volumes reported are Interfor only.

CANADIAN OPERATIONS

B.C. Coast

Hammond

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

Acorn

The Acorn operation is located on leased land in Delta, B.C. The facility consists of a log dewatering and merchandizing system, a sawmill, a planer mill and dry kilns. The sawmill specializes in sizes and grades of lumber for use in Japanese traditional housing made primarily from hemlock and Douglas-fir logs.

B.C. Interior

Adams Lake

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

The sawmill has been specifically designed to match the current and future timber resource in the area and to address the challenges of sawing timber affected by the Mountain Pine Beetle. The sawmill incorporates proven technology that materially improved the operating efficiency and cost structure of the Adams Lake operation.

Castlegar

Our Castlegar operation, located in the southern interior of B.C., includes a sawmill, dry kilns, a planer and transportation system for moving logs on Arrow Lake. It has timber tenures with an AAC of 630,000 cubic metres and manufactures fir-larch, SPF, cedar and hemlock dimension lumber.

In the fall, 2014, Interfor approved the installation of state-of-the-art technology in Castlegar, which will convert the sawmill from its current three line configuration to a two-line facility. Construction is scheduled for completion in the fourth quarter of 2015, with full operating performance targeted for the first quarter of 2016. Capacity is expected to increase to 210 million board feet.

Grand Forks

Our Grand Forks sawmill is located in the southern interior of B.C. on a 75 acre site and manufactures kiln dried lumber for the U.S. and Canadian construction markets as well as the housing market in Japan. It has timber tenures with an AAC of 514,000 cubic metres. The sawmill cuts approximately 75% SPF and 25% fir-larch.

In late 2012, Interfor completed the installation of a new small log line to replace an existing two line facility and the installation of an automated lumber grading system. Including the expanded scope of enhancements approved in 2012, the Company spent $20.1 million, and a further $4.2 million on an upgrade of the mill's log and lumber storage.

B.C. Timber Supply

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

Forest and timber harvesting operations on Crown land in B.C. are regulated under the B.C. Government's *Forest and Range Practices Act (British Columbia)* and the *Forest Act (British Columbia)*. The Government is responsible for setting the AAC, approving forest development plans and cutting permits, determining the stumpage system and managing compliance and enforcement.

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

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

We hold various Forest Licence ("FL"), Tree Farm Licence ("TFL") and Timber Licence ("TL") tenures that currently provide for an AAC of approximately of 3.9 million cubic metres. The majority of Interfor's tenures are long-term (15 and 25 year) renewable agreements that are generally replaced every five years.

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

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

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

B.C. Timber Supply	Years ended December 31, 2015	2014	2013	2012
	(thousands of cubic metres)			
Allowable Annual Cut (1)				
— Forest Licences	2,775	2,775	2,684	2,684
— Tree Farm Licences	875	875	801	801
— Non Replaceable Forest Licences	220	220	286	286
— Discretionary Annual Harvest Levels	80	40	40	40
Total AAC	3,950	3,910	3,811	3,811
Log Production				
— Coast(2)		1,523	1,639	1,526
— Interior		1,517	1,959	1,770
Total Log Production		3,040	3,598	3,296
Log Purchases		1,395	1,131	1,156
Log Sales		1,440	1,339	1,352

(1) AAC status at the beginning of each year (includes a provision for non-recoverable fibre).
(2) 2014 volumes include production volume of 48,000 cubic metres of third party timber sales managed by Interfor (2013 - 25,000 cubic metres; 2012 – 10,000 cubic metres).

U.S. OPERATIONS

U.S. Northwest

Gilchrist

The Gilchrist sawmill is located in Gilchrist, Oregon, on approximately 140 acres. The sawmill primarily processes lodgepole pine, ponderosa pine and white fir to produce a wide range of specialty and dimension lumber products. The sawmill has an on-site cogeneration plant to produce electricity for its own use as well as steam for its dry kilns. At this location, we own and operate a short line railroad to connect to a mainline for shipment of lumber and chips.

Molalla

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

Port Angeles

The Port Angeles sawmill is situated in Port Angeles, Washington, on a 64 acre site near a major highway and waterways which are convenient for shipping lumber and chips as well as for receiving logs. The sawmill primarily processes hemlock and Douglas-fir logs to produce stud dimension lumber for the U.S. market but is also capable of producing metric sizes for export.

Cedarprime

Interfor Cedarprime Inc. is located on leased premises in Sumas, Washington. The plant has a siding line, chop line, planing and finger-jointing equipment as well as access to on-site dry kilns enabling it to produce 20 million board feet of finger-jointed and cut-stock products for both North American and offshore markets.

U.S. Southeast

Baxley

This sawmill in Baxley, Georgia was acquired on March 1, 2013 from Rayonier Inc. It operates on a two shift basis and produces southern yellow pine lumber primarily in 2x4 through 2x12 products, and 4x4 timbers as market conditions warrant.

Eatonton

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

Swainsboro

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

Thomaston

On July 1, 2013, the Company completed the acquisition of the Thomaston, Georgia sawmill from Keadle Lumber Enterprises, Inc. Interfor has invested in additional kilns and infrastructure over the course of 2014 to increase production capacity on a two shift basis producing 2x4 through 2x12 dimension products.

Preston

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

Perry

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

U.S. Timber Supply

U.S. Northwest

Timber supply in the U.S. Northwest ("NW") is sourced from a broad distribution of forest land ownership (forest industrial lands; small private landowners; and State and Federal lands). These sources represent a long-term supply base from which mills purchase their timber supply. In 2014, about 58% of the log supply in the NW came from land that is owned by industrial and small private landowners, while the remainder was sourced from State, Federal and tribal lands.

Our timber supply requirements at the Port Angeles sawmill are weighted to western hemlock with lesser volumes of Douglas-fir and sitka spruce. Douglas-fir is the prominent species, with smaller volumes of western hemlock and white fir at the Molalla sawmill. The Port Angeles and Molalla sawmills depend on private industrial landowners and small private landowners for the majority of their supply. In the case of Port Angeles, this timber is supplemented with timber from State, Federal, and tribal lands.

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

U.S. Southeast

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

At the time the Company acquired the Baxley, Swainsboro and Eatonton sawmills from Rayonier Inc. in March 2013, the parties entered into a services-for-fee contract under which Rayonier Inc.'s fibre procurement group would continue to manage timber procurement activities for the three sawmills on behalf of Interfor. This contract expired during 2014 when the Company began managing all procurement activities at each of the three sawmills.

The total 2015 log supply requirement for the mills in the U.S. is estimated to be supplied from the following sources:

Expected Sources of Timber 2015	**U.S. Northwest**	**U.S. Southeast**
State, Federal and tribal lands	42%	1%
Industrial lands	51%	20%
Private lands	7%	79%
	100%	100%

SALES, MARKETING AND COMPETITIVE POSITION

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

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

	Years ended December 31, 2014	2013	2012
	(thousands of dollars)		
Lumber			
— Canada	$ 103,599	$ 90,470	$ 84,760
— U.S.A	770,153	498,524	319,365
— Japan	107,561	105,590	87,609
— China	109,205	105,703	73,886
— Other export	46,812	38,675	31,353
Offshore transportation and handling	39,928	33,302	34,265
	1,177,258	872,264	631,238
Logs	144,770	136,633	113,902
Wood chips and other residuals	105,506	72,418	69,376
Ocean freight, contract services and other	19,623	23,907	34,680
Total sales	$1,447,157	$1,105,222	$849,196

Lumber Sales

Like other commodities, the demand for lumber is cyclical. It is affected by factors such as interest rates, foreign currency exchange rates, freight rates, government tariffs and import policies, and demand for housing. However, in recent years, the residential repair and remodeling market in North America has become a significant consumer of lumber. This has lessened the impact of fluctuations in new housing starts.

In order to diminish the impact of rapid cyclical changes in any one market, we strategically target worldwide markets and offer a diverse range of products. Interfor also has a specific customer and product base in various countries, providing a diversified sales profile, and it is aggressively targeting China's rapidly growing wood frame construction market.

Product and market diversification is particularly important for B.C. Coastal producers where the variability inherent in the log resource produces a much wider spectrum of product sizes and quality than is the case in the B.C. Interior, the NW or the SE. A continuing priority for our Company is to develop products and markets that more fully realize the potential for higher grades, special dimensions and value-added items.

Lumber sales and marketing activities are organized into two sales groups to leverage global expertise: Export and North America. Interfor Japan Ltd., with an office in Tokyo, has developed niche markets and has increased sales directly to end-users. We also have an office in France to serve Continental Europe and Middle East markets and recently opened an office in China.

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

North American dimension and stud lumber produced in Canada and the NW is sold out of our office in Bellingham, Washington to leverage our market expertise and to provide a more diverse customer base for the Canadian mills in terms of geographic and market sectors.

Southern yellow pine ("SYP") lumber produced in Georgia mills is sold out of our office in Peachtree City, Georgia to leverage our regional knowledge of SYP market segments and distribution channels.

Log Sales

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

Wood Chips and Other Residuals Sales

As a by-product of lumber production, our sawmills produce wood chips and other residuals. Essentially all of our wood chips produced in B.C. are sold under short- and long-term contracts to pulp producers. In general, wood chips produced on the B.C. Coast are sold at prices related to current Northern Bleached Softwood Kraft ("NBSK") pulp prices, while the wood chips produced in the B.C. Interior are sold at current market prices for chips. Chips from our NW and SE operations are sold to pulp producers or fiber board manufacturers under short-term arrangements, with the exception of the Baxley sawmill which has a long-term contract with a pulp producer.

DISTRIBUTION

We use various modes of surface transportation to deliver our lumber products. Shipments to export markets are done by container and break-bulk vessels while shipments of lumber within North America are done by truck and rail. The majority of break-bulk shipments in 2014 were carried by our wholly-owned subsidiary Seaboard International Shipping Company Limited (Barbados). In 2015, break-bulk shipments will move under contract with an independent ocean carrier. Chips and logs are normally delivered by tug and barge or by truck. In Gilchrist, Oregon, and in Grand Forks, B.C. we own short line railroads that connect to Class 1 railroads for shipping lumber and chips.

HUMAN RESOURCES

In B.C., we directly employ approximately 1,034 people in our logging and manufacturing operations and corporate offices. The United Steel Workers ("USW") is the certified bargaining agent for approximately 521 of these people. The agreement with the USW for the B.C. Coast has an expiry date of June 14, 2019, while the Southern Interior USW agreement expires on June 30, 2018. The Canadian Marine Service Guild ("CMSG") represents 22 employees, and their collective agreement expired September 30, 2014. Negotiations with the CMSG regarding renewal of the expired agreement are in process, with employees continuing to work under the terms of the expired agreement with no workplace disruptions.

In the U.S., we employ approximately 1,548 employees in our sawmill and remanufacturing operations in Washington, Oregon, Georgia and in our offices located in Bellingham, Washington and Peachtree City, Georgia.

THE ENVIRONMENT

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

Regulatory Compliance

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

Forest Management Certification

Interfor has achieved the internationally recognized Sustainable Forestry Initiative ("SFI") forest management certification for all of our B.C. woodlands operations. Interfor also has Forest Stewardship Council ("FSC") certification on its tenures in the B.C. Mid-Coast as part of group certification for that area. Independent third party certification audits are conducted by KPMG Performance Registrar Inc.

Chain of Custody (CoC) and Responsible Purchasing

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

Coast Forest Conservation Initiative (CFCI)

Interfor is a member of the CFCI – a collaborative effort of five B.C. forest product businesses committed to finding new approaches to forest conservation and management in B.C.'s Central and North Coast. CFCI collaborates with the Rainforest Solution Project (a group of environmental organizations namely Forest Ethics, Greenpeace and the Sierra Club, B.C. Chapter) in a forum known as the Joint Solutions Project ("JSP"). JSP works with the B.C. Government and First Nations on strategic items related to the implementation of ecosystem based management ("EBM"). The joint work done by JSP is a major step towards fulfilling the landmark Great Bear Rainforest agreement.

First Nations

First Nations ("FN") groups have claimed aboriginal title and rights over substantial portions of British Columbia. Interfor tenures overlap with the traditional territories of over 60 different FN groups. The Company's operations in B.C. account for approximately 40% of its total lumber production.

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

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

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

Mountain Pine Beetle

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

Continual Improvement

Each year a formal Management Review of the Company's program and performance is completed as part of the process of continual improvement.

Additional information about our environmental work and third party certification is available on our website at www.interfor.com.

RESEARCH AND DEVELOPMENT

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

RISK FACTORS

Discussion of risk factors relating to the Company and its operations is included under the heading Risks and Uncertainties within Management's Discussion and Analysis prepared as of February 12, 2015, which is incorporated by reference herein and available on SEDAR at www.sedar.com.

CAPITAL STRUCTURE

The authorized share structure of the Company consists of:

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

As at February 12, 2015 there were 66,730,455 Common Shares outstanding. There were no Preference Shares outstanding.

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

Common Shares

The holders of Common Shares are entitled, at the discretion of the board of directors of the Company, after providing for all dividends payable in respect of the Preference Shares, if any, to non-cumulative preferential dividends of up to 13⅓ cents per annum for each Common Share and if, after providing for all dividends payable in respect of Preference Shares, there shall remain any assets, profits or surplus available for dividends, such assets, profits or surplus or any part thereof may, in the discretion of the board of directors of the Company, be declared and paid in equal amounts per Common Share.

The holders of Common Shares are entitled to receive notice of and attend all meetings of shareholders, with each Common Share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The Common Shares are entitled, upon liquidation, dissolution or winding-up of the Company, to receive the remaining assets of the Company available for distribution to shareholders. The provisions relating to the Common Shares may not be varied unless sanctioned by a resolution of the holders of the Common Shares passed by at least three-fourths of the votes cast.

Preference Shares

The Preference Shares of each series rank on a parity with the Preference Shares of every other series, and are entitled to preference over the Common Shares and over any other shares ranking junior to the Preference Shares, with respect to payment of dividends and the distribution of assets of Interfor in the event of liquidation, dissolution, or winding-up of Interfor.

MARKET FOR SECURITIES OF THE COMPANY

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

Toronto Stock Exchange (TSX) 2014 Trading Volumes Ticker: IFP			
Month	**$ Low**	**$ High**	**Volume**
January	13.02	15.85	6,383,619
February	14.31	18.09	7,048,930
March	15.60	18.25	8,499,348
April	14.83	17.49	5,862,068
May	15.90	18.16	3,959,204
June	14.55	16.65	4,210,755
July	14.15	15.33	4,584,537
August	14.35	17.50	4,253,513
September	15.33	17.23	2,816,661
October	14.59	17.15	3,702,144
November	16.84	18.54	5,098,010
December	17.49	22.15	8,075,233

TRANSFER AGENT

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

MATERIAL CONTRACTS

The Company or one of its subsidiaries entered into the following material contracts during 2014:

1. Share Purchase Agreement, dated February 8, 2014, between the Company, Interfor U.S. Inc. Ilim Timber Continental, S.A. and Tolleson Ilim Lumber Company ("Tolleson") for the acquisition of all of the issued and outstanding shares of common stock of Tolleson for a total consideration of approximately $188.5 million, including issuance of 3,680,000 Common Shares of the Company. The Tolleson operations include two sawmills in Preston and Perry, Georgia. The transaction was completed on March 14, 2014.
2. Interfor March 31, 2014 Amended and Restated Credit Agreement, dated for reference March 31, 2014, between the Company, the Agent, the Arranger and the Lenders (capitalized terms are defined in the agreement) to, among other things, increase the credit available under its revolving term line from $200 million to $250 million, without change to other terms and conditions.

3. First Amendment to the Interfor March 31, 2014 Amended and Restated Credit Agreement, dated for reference December 1, 2014, to, among other things, provide for the US$50 million term debt financing with Prudential Capital Group.
4. Amendment, dated March 13, 2014, between Prudential Investment Management, Inc., the holders of the notes, and International Forest Products Limited to, among other things, amend the springing lien covenant in respect of the Tolleson Lumber acquisition and restrict modifications to the preferred share financing structure
5. Second Amendment, dated March 31, 2014, between Prudential Investment Management, Inc., the holders of the notes, and International Forest Products Limited to, among other things, amend provisions relating to restricted subsidiaries, include a covenant addressing the contribution of the company and the restricted subsidiaries, and amend and restate the events of default.
6. Asset Purchase Agreement, dated December 18, 2014, between Simpson Lumber Company, LLC and Interfor U.S. Inc. for the acquisition of four sawmills located in Meldrim, Georgia, Georgetown, South Carolina, Longview, Washington and Tacoma, Washington for a total consideration of approximately US$94.7 million, plus working capital and contingent future payments. The transaction is expected to close on February 28, 2015.

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

DIRECTORS AND OFFICERS

Directors of the Company

The following table sets out the Company's directors as of February 12, 2015, their respective municipalities of residence, principal occupations within the past five years and the period during which each director has served as a director:

Name and Municipality of Residence	Director Since	Principal Occupations	From	To
DUNCAN K. DAVIES Vancouver, BC, Canada	November 1998	President and Chief Executive Officer Interfor Corporation	2000	Present
PAUL HERBERT Germantown, TN, USA	March 2014	Corporate Director	2013	Present
		Chief Executive Officer, Ilim Group, Russia's largest forest pulp & paper company	2007	2013
JEANE HULL Clayton, MI, USA	May 2014	Executive Vice President and Chief Technical Officer, Peabody Energy Corporation, a private-sector coal company	2007	Present
PETER M. LYNCH Toronto, ON, Canada	October 2006	President & CEO, Dieffenbacher USA, Inc., a manufacturer and designer of press and forming systems	2013	Present
		Independent Business Consultant	2010	2013
		Executive Vice President and Director Grant Forest Products Inc. (and its predecessor), a producer of OSB and engineered wood products	1993	2010
GORDON. H. MacDOUGALL West Vancouver, BC, Canada	February 2007	Corporate Director	2014	Present
		Vice Chairman, Connor, Clark & Lunn Investment Management Ltd., an asset management firm	2006	2014

Name and Municipality of Residence	Director Since	Principal Occupations	From	To
J. EDDIE McMILLAN Pensacola, FL, USA	October 2006	Independent Business Consultant	2002	Present
		Executive Vice President, Wood Products Group Willamette Industries, Inc., a forest products company	1998	2002
ANDREW K. MITTAG Colleyville, TX, USA	October 2012	Corporate Director	2014	Present
		Senior Vice President, Agrium Inc. and President, Agrium Advanced Technologies, a major retail supplier of agricultural products and services, a global wholesale producer and marketer of major agricultural nutrients and industrial products	2005	2014
E. LAWRENCE SAUDER Vancouver, BC, Canada	April 1984	Chief Executive Officer and Chairman, Metrie Canada Ltd. (formerly Sauder Industries Limited), a manufacturer and distributor of building products	2010	Present
		Chairman, Hardwoods Distribution Inc., a distributor of wood products	2008	Present
L. SCOTT THOMSON Vancouver, BC, Canada	October 2012	President and Chief Executive Officer, Finning International Inc., a distributor of Caterpillar products and support services	2013	Present
		Executive Vice-President, Finance and Chief Financial Officer, Talisman Energy Inc., a global upstream oil and gas company	2008	2013
DOUGLAS W.G. WHITEHEAD North Vancouver, BC, Canada	April 2007	Corporate Director	2008	Present
		President and Chief Executive Officer Finning International Inc., a distributor of Caterpillar products and support services	2000	2008

To our knowledge, only one of the Company’s directors has in the last 10 years been an officer or director of a company that, while the person was acting in that capacity, was subject to bankruptcy or similar proceedings or securities regulatory sanctions described in National Instrument 51-102 *Continuous Disclosure Obligations*. From 1993 to 2010, Mr. Lynch was an executive director of Grant Forest Products Inc. (“Grant Forest”). On June 25, 2009, Grant Forest filed and obtained protection under the Companies’ Creditors Arrangement Act in order to restructure its business affairs.

The term of office for all current directors will end at the conclusion of the next Annual General Meeting of the Company’s shareholders. The next Annual General Meeting is scheduled for Thursday, April 30, 2015.

Committees of the Board

The table below lists the committees of Interfor's board of directors and their members as of February 12, 2015:

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

Officers of the Company

The following table sets out the Company's officers as of February 12, 2015, their respective municipalities of residence and their principal occupations for at least the last five years:

Name and Municipality of Residence	Positions Held	From	To
DUNCAN K. DAVIES Vancouver, BC, Canada	President & Chief Executive Officer Interfor Corporation	2000	Present
JOHN A. HORNING West Vancouver, BC, Canada	Executive Vice President & Chief Financial Officer Interfor Corporation	2014	Present
	Senior Vice President & Chief Financial Officer Interfor Corporation	2002	2014
J. STEVEN HOFER Bellingham, WA, USA	Senior Vice President, Sales & Marketing and Senior Vice President, US Northwest Operations, Interfor Corporation	2014	Present
	Vice President, Sales & Marketing Interfor Corporation	2011	2014
	General Manager, Sales & Marketing Interfor U.S. Inc. (formerly Interfor Pacific Inc.)	2004	2011
JOSEPH A. RODGERS Sharpsburg, GA, USA	Senior Vice President, US Southeast Operations Interfor Corporation	2014	Present
	Vice President, US Operations Interfor Corporation	2013	2014
	Vice President, Operations – Solid Wood Temple-Inland Building Products	2011	2013
	Operations Manager – Solid Wood Temple-Inland Building Products	2009	2011

MARTIN L. JURAVSKY Toronto, ON, Canada	Senior Vice President, Corporate Development and Strategy Interfor Corporation	2014	Present
	Vice President, Corporate Development and Strategy Interfor Corporation	2013	2014
	Business Consultant	2012	2013
	Vice President, Corporate Development Woodland Biofuels Inc.	2011	2012
	Managing Director Macquarie Capital Markets Canada Ltd.	2009	2011
IAN M. FILLINGER Kamloops, BC, Canada	Senior Vice President, Canadian Operations Interfor Corporation	2014	Present
	Vice President, Canadian Operations Interfor Corporation	2013	2014
	Senior General Manager Interfor Corporation	2013	2013
	General Manager, Adams Lake & Coastal Manufacturing Interfor Corporation	2012	2013
	General Manager, Adams Lake Division Interfor Corporation	2005	2012
MARK W. STOCK North Vancouver, BC, Canada	Senior Vice President, Human Resources Interfor Corporation	2014	Present
	Vice President, Human Resources Interfor Corporation	2012	2014
	Vice President, Global Human Resources Tree Island Industries Ltd.	2007	2012
RICHARD J. SLACO Delta, BC, Canada	Vice President & Chief Forester Interfor Corporation	2002	Present
MARILYN LOEWEN MAURITZ Vancouver, BC, Canada	General Counsel & Corporate Secretary Interfor Corporation	2012	Present
	General Counsel Interfor Corporation	2007	2012

SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As at December 31, 2014, the directors and officers of the Company as a group owned, directly or indirectly, or exercised control of or direction over 863,705 Common Shares representing approximately 1.29% of the outstanding Common Shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

LEGAL PROCEEDINGS

We are not a party to, and our property is not the subject of, any material legal proceedings which are currently in place or which we know to be contemplated.

INTEREST OF EXPERTS

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

AUDIT COMMITTEE INFORMATION

The purpose of the Company's Audit Committee (the "Committee") is to assist the board of directors in fulfilling its oversight responsibility relating to:

- the integrity of the Company's financial statements;
- the financial reporting process;
- the systems of internal accounting and financial controls;
- the professional qualifications and independence of the external auditors;
- the performance of the external auditors;
- risk management processes;
- financial plans;
- pension plans; and
- compliance by the Company with ethics and legal and regulatory requirements.

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

The Committee met four times in 2014 in conjunction with regularly scheduled Board meetings.

Members' Financial Literacy, Expertise and Simultaneous Service

The board of directors has determined that the members of the Audit Committee during 2014 were, and all current members of the Audit Committee are literate and independent as defined in *National Instrument 52-110 – Audit Committees*. The table below indicates the relevant education and experience of each member of the Audit Committee:

Relevant Education and Experience

Director	Past Occupation
Douglas W.G. Whitehead Chair of the Audit Committee since May 2012	Mr. Whitehead is a Corporate Director. From 2000 to 2008, he was the President and Chief Executive Officer of Finning International Inc. ("Finning"). Prior to joining Finning, Mr. Whitehead held a number of senior executive positions with Fletcher Challenge Canada, including President and Chief Executive Officer, Senior Vice President and Chief Operating Officer and Vice President of the Crown Packaging Division. Mr. Whitehead is currently the director and Chair of Finning and a director of both Belkorp Industries Inc. and Kal Tire. Previously, he served as director of Inmet Mining Corporation, Ballard Power Systems Inc., Terasen Inc., Fletcher Challenge Canada, Finlay Forest Industries and Timberwest Forest Limited. He is a former member of the Board of Directors of Vancouver General Hospital and University of British Columbia Hospital Foundation. Mr. Whitehead holds a Bachelor of Applied Science (Engineering) from the University of British Columbia and a Masters of Business Administration from the University of Western Ontario.

Paul Herbert Member since May 2014	Mr. Herbert is a corporate director with over 47 years of experience in the pulp and paper industry. From 2007 to 2013, Mr. Herbert was the Chief Executive Officer of Ilim Group, Russia's largest forest pulp & paper company. From 2003 to 2007, he was Senior Vice President of Global Strategic Initiatives for International Paper. Prior thereto, he held various senior executive positions with International Paper, including Senior Vice President, Printing and Communications, President of International Paper Europe and Vice President Engineering & Manufacturing. He is currently a director of Ilim Timber Group in Russia. He holds a degree in Engineering from East London Polytechnic University and an Executive Master of Business Administration from Texas A&M University.
Peter M. Lynch Member since April 2009	Mr. Lynch is currently President & CEO of Dieffenbacher USA, Inc. ("Dieffenbacher"). Prior thereto he provided consulting services to Dieffenbacher. From 1993 to 2010, he was an Executive Vice President and director of Grant Forest Products Inc. (and its predecessor), a producer of OSB and engineered wood products. Mr. Lynch holds a LL.B from Osgoode Law School and is a member of the Law Society of Upper Canada, the Canadian Bar Association and the Ontario Bar Association.
Andrew K. Mittag Member since May 2013	Mr. Mittag is a Corporate Director. From 2005 to 2014, he was Senior Vice President, Agrium Inc. and President, Agrium Advanced Technologies, a major retail supplier of agricultural products and services and a global wholesale producer and marketer of major agricultural nutrients and industrial products. In addition to being part of Agrium's senior leadership team, he was responsible for Agrium's enhanced efficiency fertilizer business and the development of that market internationally, especially China. Prior to joining Agrium in 2005, he was Co-founder, President and Chief Financial Officer of Rockland Capital Partners and held senior leadership roles at TXU Corp. and Koch Industries Inc. Mr. Mittag holds a Bachelor of Arts (Economics and German) from Hamilton College, a Masters of Business Administration (Accounting and Finance) from Columbia University and ICD.D designation from the Institute of Corporate Directors.
L. Scott Thomson Member since November 2012	Mr. Thomson is currently President and CEO of Finning International Inc., the world's largest Caterpillar equipment dealer. From 2008 to 2013, he was Chief Financial Officer of Talisman Energy Inc. Prior thereto, Mr. Thomson was Executive Vice President, Corporate Development, Vice President, Head of Mergers and Acquisitions, and Vice President, Corporate Strategy at Bell Canada Enterprises Inc. Mr. Thomson holds a Bachelor of Arts from Queen's University and a Masters of Business Administration from the University of Chicago.

AUDIT FEES

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

KPMG LLP, Chartered Accountants, Vancouver, are the independent auditors of the Company. Fees paid or accrued to KPMG LLP for audit and other services for the years ended December 31, 2013 and December 31, 2014, were as follows:

	2014	2013
Audit fees Fees billed for professional services rendered.	$586,900	$477,000
Audit-related fees Audit-related fees consist principally of fees for professional services rendered with respect to audits of a defined benefit pension plan, subsidiary companies, and consultation related to accounting issues (2014 and 2013); bought deal financing involvement (2013).	61,500	269,100
Tax fees Tax fees consist of fees for tax compliance services, planning and related services, personal tax (foreign and domestic) compliance and planning advice (2014 and 2013); indirect tax recovery audit contingency fees which are based on percentage of recoveries, and advice on setup of Insurance Captive (2014).	37,771	24,376
Other fees Forestry certification. And assistance with ERP system design and implementation and conversion review (2014 and 2013) and general IT control documentation (2013).	123,347	168,978
TOTAL	$809,518	$939,454

CODE OF ETHICS

We have adopted a code of ethics that applies to our directors, officers and employees. A copy of the code, entitled "Code of Conduct", can be found on our website at www.interfor.com.

ADDITIONAL INFORMATION

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular.

Additional financial information about the Company is provided in the Company's audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2014.

Copies of the documents referred to above and additional information relating to the Company are available on the SEDAR website at www.sedar.com and may also be obtained upon request from:

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

Appendix "A"

AUDIT COMMITTEE
Terms of Reference

PURPOSE

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

COMPOSITION AND TERM OF OFFICE

1. The Audit Committee shall consist of four or more Directors.

2. All members of the Audit Committee shall be independent within the meaning of *National Instrument 52-110 ("*NI 51-110*").*

3. All members must be financially literate within the meaning of NI 52-110 or become financially literate within a reasonable period following appointment and at least one member should have accounting or related expertise.

4. The Chair of the Audit Committee along with other Audit Committee members will be appointed annually by the Board following the AGM to hold office until the next AGM, unless any member becomes unable to serve or is removed by the Board. A casual vacancy may be filled and additional members may be appointed at any time by the Board to hold office until the next AGM.

5. A quorum shall consist of a simple majority.

DUTIES AND RESPONSIBILITIES

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

Financial Disclosure, Risk Management and Internal Controls

1. Review the following documents before the public disclosure of same by the Company, and, if appropriate, recommend approval by the Board of the Company's:

    a. annual and quarterly financial statements;

    b. Management's Discussion and Analysis; and

    c. annual and interim earnings press releases.

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

2. Review and approve the disclosures required by applicable securities laws to be included in the Company's Annual Information Form and Management Information Circular relating to the Audit Committee and audit and non-audit services and fees.

3. Review the process for certifications of the interim and annual financial statements by the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) and the certification made by the CEO and CFO.

4. Review all news releases announcing financial results, containing financial information based on unreleased financial results or non-GAAP financial measures or providing earnings guidance, forward-looking financial information and future-oriented financial information or financial outlooks before the public disclosure of same by the Company.

5. Review financial information contained in any prospectus, take-over bid circular, issuer bid circular, rights offering circular and any other document that the Audit Committee is to review before the public disclosure of same by the Company, and, if appropriate, recommend approval by the Board.

6. Review matters related to internal controls over financial reporting of the Company and ensure the Company has adequate procedures in place in respect thereof. Ensure that the necessary measures are taken to follow up suggestions from the Auditor’s reports.

7. Review the principal risks of the Company, other than the risks associated with the Company’s compensation policies and practices, and ensure that an effective risk management strategy is in place.

8. Review the Company’s derivatives policies and activities, including details of exposures to banks and other counterparties.

External Auditor

9. Review and recommend to the Board the appointment of the Auditor to be nominated for the purposes of preparing or issuing an Auditor’s report and performing other audit, review or attest services for the Company.

10. Establish the mandate of the Auditor, including the annual engagement, audit plan, audit scope and compensation for the audit services, subject to shareholder approval.

11. Oversee the activities of the Auditor. The Auditor shall report directly to the Audit Committee.

12. Directly communicate and meet with the Auditor, with and without Management present, to discuss the results of their examinations.

13. Review the independence of the Auditor, any rotation of the partners assigned to the audit in accordance with applicable laws and professional standards, the internal quality control findings of the Auditor’s firm and peer reviews.

14. Review the performance of the Auditor, including the relationship between the Auditor and Management and the evaluation of the lead partner of the Auditor.

15. Resolve disagreements between Management and the Auditor regarding financial reporting.

16. Review material written communications between the Auditor and Management.

Non-Audit Services

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

Company Policies

18. Satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.

19. Establish and periodically review the policies and procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by the employees of the Company regarding questionable accounting or auditing matters.

20. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the former and present Auditor.

Insurance

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

MEETINGS AND PROCEDURES

1. The Audit Committee shall meet a minimum of four (4) times per year and, subject to these Terms of Reference and applicable law, otherwise establish its procedures and govern itself as the members of the Audit Committee may see fit in order to carry out and fulfill its duties and responsibilities hereunder. Extraordinary meetings of the Audit Committee may be called at the request of a member on the Audit Committee or the Chair of the Board to be held at such times and places as the person calling such meeting may determine.

2. A majority of members of the Audit Committee will constitute a quorum (provided that a quorum shall not be less than two (2) members). Decisions of the Audit Committee will be by an affirmative vote of the majority of those members of the Audit Committee voting at a meeting. In the event of an equality of votes, the Chair will not have a casting or deciding vote. The Audit Committee may also act by resolution in writing signed by all the members of the Audit Committee.

3. The Audit Committee shall appoint a Secretary who shall keep minutes or other records of its meetings and proceedings.

4. The Chair of the Audit Committee shall report to the Board at its next regular meeting the Audit Committee's deliberations and recommendations, if any, requiring the Board's approval.

OTHER MATTERS

1. The Audit Committee is authorized to engage any outside advisor it deems necessary to carry out its duties and responsibilities and to arrange payment of the advisor's compensation by the Company.

2. The Audit Committee may, at the request of the Board or at its own initiative, investigate such other matters as it considers appropriate in furtherance of the Audit Committee's purpose.

GLOSSARY

Unless otherwise noted, all financial references in this Annual Report are in Canadian dollars.

"Adjusted EBITDA" EBITDA excluding long term incentive compensation, other income (expense) and sawmill post-closure wind-down costs.

"**Allowable Annual Cut (AAC)"** The average annual volume of timber which the holder of a licence from the Province of British Columbia may harvest on Crown land under the licence in a five-year control period.

"Bone Dry Unit (BDU)" A unit of measurement for wood chips and other sawmill by-products, being equal to 2,400 pounds.

"**Custom cutting**" An arrangement under which a mill contracts to cut logs owned by a customer into products of specifications defined by the customer.

"Crown" Administrative agency of the provincial government of British Columbia.

"**EBITDA**" Earnings before finance costs, income taxes, depreciation, depletion, amortization, restructuring costs, asset write-downs and other costs, and other foreign exchange gains (losses).

"**Forest Licence**" Replaceable, volume-based timber cutting rights for a specific volume of Crown timber within a Timber Supply area.

"**Invested Capital**" The total of Net debt and shareholders' equity.

"**m³**" A measure of one cubic metre of solid wood, British Columbia metric scale, as determined under the *Forest Act*, equal to 35.3 cubic feet of solid wood.

"mfbm" or "**Mbf**" One thousand foot board measure equal to one thousand square feet of lumber, one inch thick.

"**Net debt**" The total of long term debt and bank indebtedness, less cash and cash equivalents.

"Pre-tax return on total assets" Earnings (loss) before income taxes, restructuring costs, asset write-downs and other costs, finance costs, other foreign exchange gains (losses) and other income (expense), divided by the average of opening and closing total assets for annual periods and by opening total assets for three month periods.

"**Silviculture**" The art and science of controlling the establishment, growth, composition, health and quality of forests.

"**Stumpage**" A charge assessed by the provincial government on all Crown timber harvested.

"**Sustained yield (sustainable log supply)"** The yield that a forest area can produce on an ongoing basis without impairment of the long-term productivity of the land.

"**Timber Licence**" Non-replaceable, area based, Crown timber cutting rights.

"**Tree Farm Licence**" A renewable 25-year licence to manage a forest area to yield an annual harvest on a sustainable basis.

"**Value-added product**" A commodity or other product that has been further processed to increase financial value.

"**Volumetric unit**" A unit of measurement for wood chips and other sawmill by-products, being equal to 200 cubic feet. A volumetric unit represents between 60% and 85% of the chips in a Bone Dry Unit, depending on the species.

"**Whitewood**" Includes the Coastal species Hemlock, Balsam Fir, Douglas-Fir and Spruce; the term whitewood is used on British Columbia Coast to differentiate the above species from Western Red Cedar and Yellow Cedar.

DIRECTORS

Duncan K. Davies
Vancouver, BC, Canada

Paul Herbert
Germantown, TN, US

Jeane Hull
St. Louis, MO, US

Peter M. Lynch
Toronto, ON, Canada

Gordon H. MacDougall
West Vancouver, BC, Canada

J. Eddie McMillan
Pensacola, FL, US

Andrew K. Mittag
Colleyville, TX, US

E. Lawrence Sauder (Chair)
Vancouver, BC, Canada

L. Scott Thomson
Vancouver, BC, Canada

Douglas W.G. Whitehead
North Vancouver, BC, Canada

OFFICERS

Duncan K. Davies
President and Chief Executive Officer

John A. Horning
Executive Vice President & Chief Financial Officer

J. Steven Hofer
Senior Vice President, Sales & Marketing
Senior Vice President, US Northwest Operations

Joseph A. Rodgers
Senior Vice President, US Southeast Operations

Martin L. Juravsky
Senior Vice President, Corporate Development & Strategy

Ian M. Fillinger
Senior Vice President, Canadian Operations

Mark W. Stock
Senior Vice President, Human Resources

Richard J. Slaco
Vice President and Chief Forester

Marilyn Loewen Mauritz
General Counsel & Corporate Secretary

CORPORATE INFORMATION

Stock Exchange Common Shares listed on The Toronto Stock Exchange Symbol: IFP	**Auditors** KPMG LLP, Vancouver, BC	**Transfer Agent** Computershare Investor Services Inc. Vancouver, BC and Toronto, ON
Media Contact Karen Brandt, Director, Public Affairs & Corporate Communications Office: 604-689-6866 karen.brandt@interfor.com	**Corporate Office** Tel: (604) 689-6800 Fax: (604) 688-0313 P.O. Box 49114 3500-1055 Dunsmuir Street Vancouver, BC V7X 1H7	

OPERATIONS AND LOCATIONS

Acorn Division **(Sawmill)** Tel: (604) 581-0494 Fax: (604) 581-5757 9355 Alaska Way Delta, BC V4C 4R7	**Adams Lake Division** **(Sawmill and Woodlands)** Tel: (250) 679-3234 Fax: (250) 679-3545 9200 Holding Road Chase, BC V0E 1M2	**Baxley Division** **(Sawmill)** Tel: (912) 367-3671 Fax: (912) 367-1500 1830 Golden Isles East Baxley, GA 31513
Castlegar Division **(Sawmill)** Tel: (250) 365-4400 Fax: (604) 422-3252 P.O. Box 3728 2705 Arrow Lakes Drive Castlegar, BC V1N 3W4	**Castlegar Division** **(Woodlands)** Tel: (250) 265-3741 Fax: (604) 422-3251 P.O. Box 2000 442 Highway 6 West Nakusp, BC V0G 1R0	**Coastal Woodlands Division** Tel: (250) 286-1881 Fax: (250) 286-3412 1250A Ironwood Street Campbell River, BC V9W 6H5
Eatonton Division **(Sawmill)** Tel: (706) 485-4271 Fax: (706) 485-3879 370 Dennis Station Road SW Eatonton, GA 31024	**Gilchrist Division** **(Sawmill)** Tel: (541) 433-2222 Fax: (541) 433-9581 P.O. Box 638 #1 Sawmill Road Gilchrist, OR 97737	**Grand Forks Division** **(Sawmill and Woodlands)** Tel: (250) 443-2400 Fax: (604) 422-3253 P.O. Box 39 570 68th Ave. Grand Forks, BC V0H 1H0
Hammond Division **(Sawmill)** Tel: (604) 465-5401 Fax: (604) 422-3221 20580 Maple Crescent Maple Ridge, BC V2X 1B1	**Interfor Cedarprime Inc.** **(Remanufacturing)** Tel: (360) 988-2120 Fax: (360) 988-2126 601C West Front Street Sumas, WA 98295	**Molalla Division** **(Sawmill)** Tel: (503) 829-9131 Fax: (503) 829-5481 15555 S. Hwy. 211 Molalla, OR 97038
Perry Division **(Sawmill & Remanufacturing)** Tel: (478) 987-2105 Fax: (478) 987-5773 903 Jernigan Street Perry, GA 31069-3435	**Port Angeles Division** **(Sawmill)** Tel: (360) 457-6266 Fax: (360) 457-1486 243701 Highway 101 West Port Angeles, WA 98363	**Preston Division** **(Sawmill)** Tel: (229) 828-5025 Fax: (229) 828-4370 378 Tolleson Road Preston, GA 31824
Swainsboro Division **(Sawmill)** Tel: (912) 562-4441 Fax: (912) 562-3621 8796 Highway 297 Swainsboro, GA 30401	**Thomaston Division** **(Sawmill)** Tel: (706) 647-8981 Fax: (706) 647-3534 75 Ben Hill Road Thomaston, GA 30286	

SALES AND MARKETING

North America – Cedar Tel: (604) 422-3470 Fax: (604) 422-3244 600 - 2700 Production Way Burnaby, BC V5A 4X1	**North America – Southern Yellow Pine** Tel: (770) 282-3250 Fax: (770) 486-6837 700 Westpark Drive Peachtree City, GA 30269	**North America - Whitewood** Tel: (360) 788-2200 Fax: (360) 788-2210 2211 Rimland Drive, Suite 220 Bellingham, WA 98226
China Tel: +86-21-6333-6268 Fax: +86-21-6333-6290 Unit 1007, Tower No. 1 No. 268 Zhongshan South Road Shanghai, 200010, China	**Japan** Tel: 03-5641-2351 Fax: 03-5641-2383 Kasahara Bldg. 6F, 1-7-7 Nihonbashi, Ningyocho, Chuo-ku Tokyo, Japan 103 - 0013	**Europe** Tel: +33-2-40-32-05-25 Fax: +33-2-40-32-02-25 ZI Cheviré 7 rue de l'Houmaille 44340 BOUGUENAIS, France
Export – Whitewood & Cedar Tel: (604) 422-3468 Fax: (604) 422-3250 600-2700 Production Way Burnaby, BC V5A 4X1		

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