

Condensed consolidated interim financial statements of

# **Conifex Timber Inc.**

September 30, 2021  
(Unaudited)

# Conifex Timber Inc.

Condensed consolidated balance sheets  
as at September 30, 2021 (unaudited)

(thousands of Canadian dollars)	Notes	As at September 30, 2021	As at December 31, 2020
		\$	\$
<b>Assets</b>			
<i>Current assets</i>			
Cash		23,418.1	11,159.6
Cash - restricted	8	6,554.4	3,627.1
Trade and other receivables		8,527.5	10,365.4
Prepaid expenses and deposits		10,836.6	10,701.7
Inventories	5	42,857.4	12,994.5
<b>Current assets</b>		<b>92,194.0</b>	<b>48,848.3</b>
Property, plant and equipment	6	127,215.6	130,027.2
Intangible assets		3,233.0	3,482.3
Goodwill		1,875.0	1,875.0
Long-term investments and other		22,651.2	22,661.7
Deferred income tax assets	10	-	9,861.7
<b>Total assets</b>		<b>247,168.8</b>	<b>216,756.2</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade payables, accrued liabilities and other payables		20,736.1	14,841.3
Current portion of reforestation obligations		3,548.4	3,548.4
Employee liabilities		2,463.2	1,007.2
Current portion of long-term debt	8	4,616.3	4,490.8
<b>Current liabilities</b>		<b>31,364.0</b>	<b>23,887.7</b>
Reforestation obligations		8,224.4	7,016.2
Environmental liabilities		710.6	987.5
Other long-term liabilities		9,040.6	9,537.5
Long-term debt	8	56,160.8	58,907.8
Deferred income tax liabilities	10	217.1	-
<b>Non-current liabilities</b>		<b>74,353.5</b>	<b>76,449.0</b>
<b>Total liabilities</b>		<b>105,717.5</b>	<b>100,336.7</b>
<b>Equity</b>			
Share capital	9	272,974.4	287,446.6
Contributed surplus		28,011.4	18,235.2
Retained earnings (deficit)		(160,098.0)	(189,826.3)
Accumulated other comprehensive income		563.5	564.0
<b>Total equity</b>		<b>141,451.3</b>	<b>116,419.5</b>
<b>Total liabilities and equity</b>		<b>247,168.8</b>	<b>216,756.2</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Conifex Timber Inc.

Condensed consolidated statements of net income (loss) and comprehensive income (loss)  
period ended September 30, 2021 (unaudited)

(thousands of Canadian dollars)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>Revenue</b>	11	<b>47,551.7</b>	37,592.7	<b>190,672.7</b>	78,951.7
<b>Costs and expenses</b>					
Cost of goods sold		<b>39,803.2</b>	20,639.3	<b>114,974.2</b>	57,082.7
Freight and distribution costs		<b>4,914.7</b>	4,550.0	<b>17,597.0</b>	9,797.1
Softwood lumber duties	13	<b>1,292.6</b>	3,694.4	<b>9,065.5</b>	5,940.5
Selling, general and administrative		<b>2,279.5</b>	1,782.0	<b>7,559.3</b>	5,381.7
Restructuring charges		-	(52.2)	<b>32.3</b>	1,961.7
		<b>48,290.0</b>	30,613.5	<b>149,228.3</b>	80,163.7
<b>Operating income (loss)</b>		<b>(738.3)</b>	6,979.2	<b>41,444.4</b>	(1,212.0)
Loss on disposal of assets		-	-	-	(5.0)
Finance costs and accretion		<b>(1,078.8)</b>	(1,195.9)	<b>(3,335.4)</b>	(5,884.2)
Loss on derivative financial instruments		-	(2,586.4)	-	(3,254.4)
Foreign exchange loss on long-term debt		-	-	-	(2,109.2)
Foreign exchange gain		<b>625.5</b>	305.7	<b>478.4</b>	2,556.9
Other income (expense)		<b>(24.4)</b>	-	<b>1,187.7</b>	2.2
		<b>(477.7)</b>	(3,476.6)	<b>(1,669.3)</b>	(8,693.7)
Income (loss) before taxes		<b>(1,216.0)</b>	3,502.6	<b>39,775.1</b>	(9,905.7)
Income tax expense (recovery):					
Current		<b>(32.0)</b>	-	<b>(32.0)</b>	-
Deferred		<b>(332.9)</b>	1,532.3	<b>10,078.8</b>	(969.0)
	10	<b>(364.9)</b>	1,532.3	<b>10,046.8</b>	(969.0)
Income (loss) from continuing operations		<b>(851.1)</b>	1,970.3	<b>29,728.3</b>	(8,936.7)
Income from discontinued operations		-	37.4	-	175.9
<b>Net income (loss)</b>		<b>(851.1)</b>	2,007.7	<b>29,728.3</b>	(8,760.8)
<b>Other comprehensive income (loss)</b>					
Foreign exchange translation of foreign operations, net of tax		<b>1.4</b>	142.3	<b>(0.5)</b>	13.4
<b>Other comprehensive income (loss), net of tax</b>		<b>1.4</b>	142.3	<b>(0.5)</b>	13.4
<b>Total comprehensive income (loss) for the period</b>		<b>(849.7)</b>	2,150.0	<b>29,727.8</b>	(8,747.4)
<b>Net income (loss) per share, basic and diluted:</b> (in dollars)					
Net income (loss) per share from continuing operations		<b>(0.02)</b>	0.04	<b>0.65</b>	(0.19)
Net income (loss) per share from discontinued operations		-	-	-	-
		<b>(0.02)</b>	0.04	<b>0.65</b>	(0.19)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Conifex Timber Inc.

Condensed consolidated statements of changes in equity  
period ended September 30, 2021 (unaudited)

(thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income	Total equity
	\$	\$	\$	\$	\$
Balance at December 31, 2019	290,702.9	16,722.6	(183,366.5)	554.1	124,613.1
Net loss for the nine months ended September 30, 2020	-	-	(8,760.8)	-	(8,760.8)
Issue of common shares upon vesting of share-based payment	321.1	(321.1)	-	-	-
Recognition of share-based payments	-	(254.1)	-	-	(254.1)
Foreign exchange translation of foreign operations, net of tax	-	-	-	13.4	13.4
<b>Balance at September 30, 2020</b>	<b>291,024.0</b>	<b>16,147.4</b>	<b>(192,127.3)</b>	<b>567.5</b>	<b>115,611.6</b>
Net income for the period from October 1, 2020 to December 31, 2020	-	-	2,301.0	-	2,301.0
Repurchase of common shares	(3,617.4)	2,725.7	-	-	(891.7)
Issue of common shares upon vesting of share-based payment	40.0	(40.0)	-	-	-
Recognition of share-based payments	-	(597.9)	-	-	(597.9)
Foreign exchange translation of foreign operations, net of tax	-	-	-	(3.5)	(3.5)
<b>Balance at December 31, 2020</b>	<b>287,446.6</b>	<b>18,235.2</b>	<b>(189,826.3)</b>	<b>564.0</b>	<b>116,419.5</b>
<b>Net income for the nine months ended September 30, 2021</b>	<b>-</b>	<b>-</b>	<b>29,728.3</b>	<b>-</b>	<b>29,728.3</b>
<b>Repurchase of common shares</b>	<b>(14,587.7)</b>	<b>9,575.5</b>	<b>-</b>	<b>-</b>	<b>(5,012.2)</b>
<b>Issue of common shares upon vesting of share-based payment</b>	<b>115.5</b>	<b>(115.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Recognition of share-based payments</b>	<b>-</b>	<b>316.2</b>	<b>-</b>	<b>-</b>	<b>316.2</b>
<b>Foreign exchange translation of foreign operations, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Balance at September 30, 2021</b>	<b>272,974.4</b>	<b>28,011.4</b>	<b>(160,098.0)</b>	<b>563.5</b>	<b>141,451.3</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Conifex Timber Inc.

Condensed consolidated statements of cash flows  
as at September 30, 2021 (unaudited)

(thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Income (loss) from continuing operations	(851.1)	1,970.3	29,728.3	(8,936.7)
Items not affecting cash:				
Amortization and depreciation	3,408.7	2,873.0	7,642.6	6,921.7
Change in mark-to-market value of lumber price derivatives	-	(130.7)	-	533.8
Change in reforestation obligations	(499.7)	(2,080.1)	1,208.1	(2,419.3)
Finance costs and accretion	1,078.8	1,195.9	3,335.4	5,884.2
Income tax expense (recovery)	(364.9)	1,532.3	10,046.8	(969.0)
Share-based compensation	(11.8)	81.4	316.2	(254.1)
Load Displacement Agreement accretion	(156.8)	(156.9)	(470.6)	(470.6)
Loss on disposal of assets	-	-	-	5.0
Foreign exchange loss on long-term debt	-	-	-	2,109.2
Share of loss of joint venture	3.5	10.5	10.5	10.5
Income taxes recovered	32.0	-	32.0	-
	<b>2,638.7</b>	<b>5,295.7</b>	<b>51,849.3</b>	<b>2,414.7</b>
Change in:				
Trade and other receivables	6,663.5	(8,739.2)	1,837.9	(1,284.8)
Prepaid expenses and deposits	7.1	2,192.5	(258.7)	1,330.0
Inventories	(19,003.7)	(3,431.0)	(29,862.9)	175.9
Accounts payable, accrued liabilities and other payables	2,542.6	660.0	5,897.5	(17,676.1)
Environmental liabilities	(140.1)	(1.8)	(276.9)	(9.6)
Employee liabilities	323.9	636.3	1,455.9	844.1
Operating cash flows from discontinued operations	-	(647.5)	-	(1,234.0)
<b>Net cash provided from (used in) operating activities</b>	<b>(6,968.0)</b>	<b>(4,035.0)</b>	<b>30,642.1</b>	<b>(15,439.8)</b>
<b>Cash flows from investing activities</b>				
Additions to property, plant and equipment	(1,621.6)	(1,182.8)	(4,581.6)	(1,366.3)
Proceeds on disposal of assets, net	-	-	-	78.3
Investing cash flows from discontinued operations	-	-	-	223,589.3
<b>Net cash provided from (used in) investing activities</b>	<b>(1,621.6)</b>	<b>(1,182.8)</b>	<b>(4,581.6)</b>	<b>222,301.3</b>
<b>Cash flows from financing activities</b>				
Repayment of revolving credit facility	-	-	-	(11,729.9)
Repurchase of common shares	(1,051.6)	-	(5,012.2)	-
Repayment of leases	(248.2)	(346.8)	(638.3)	(1,169.3)
Repayment of term loans	(605.9)	(559.7)	(2,091.5)	(182,013.5)
Financing fees	(4.0)	(124.7)	(75.9)	(314.3)
Interest paid	(1,002.3)	(1,168.8)	(3,056.4)	(8,493.9)
Change in restricted cash	(927.0)	2,325.8	(2,927.3)	3,029.1
Financing cash flows from discontinued operations	-	(8.2)	-	(46.2)
<b>Net cash provided from (used in) financing activities</b>	<b>(3,839.0)</b>	<b>117.6</b>	<b>(13,801.6)</b>	<b>(200,738.0)</b>
<b>Net increase (decrease) in cash</b>	<b>(12,428.6)</b>	<b>(5,100.2)</b>	<b>12,258.9</b>	<b>6,123.5</b>
<b>Foreign exchange effect on cash</b>	<b>1.4</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(628.5)</b>
<b>Cash, beginning of period</b>	<b>35,845.3</b>	<b>11,514.8</b>	<b>11,159.6</b>	<b>919.5</b>
<b>Cash, end of period</b>	<b>23,418.1</b>	<b>6,414.5</b>	<b>23,418.1</b>	<b>6,414.5</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

September 30, 2021 (unaudited)

(Tabular amounts expressed in thousands of Canadian dollars except per share amounts)

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In these notes, “Conifex” or the “Company” means Conifex Timber Inc. and its subsidiaries.

### 1. NATURE OF OPERATIONS

The primary business of Conifex includes timber harvesting, reforestation, forest management, processing logs into lumber and wood chips, value added lumber finishing and the production of electricity for external sale and internal supply. Conifex’s lumber products are sold primarily in the United States, Canada, and Japanese markets.

Conifex is a publicly traded company listed on the Toronto Stock Exchange under the symbol CFF. The Company is incorporated under the *Canada Business Corporations Act* and is headquartered in Vancouver, BC, Canada.

The address of its registered office is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2.

### 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), and do not include all of the information required for full annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Certain comparative amounts for the prior year have been reclassified to conform to the current year’s presentation.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2020 annual consolidated financial statements.

### 4. SEASONALITY OF OPERATIONS

The Company’s fibre inventories exhibit seasonal swings as the Company increases log inventories at its mill during the fall and winter months to ensure adequate supply of fibre to its mill during the spring months when logging operations are largely curtailed due to road conditions.

The operating results of the bioenergy operation will experience variability as a result of the application of a “time of delivery factor” to electricity pricing which adds a seasonal effect to quarterly revenues. The lowest revenues are expected to be generated in the spring months and the highest in the fall and winter months of each year.

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

September 30, 2021 (unaudited)

(Tabular amounts expressed in thousands of Canadian dollars except per share amounts)

### 5. INVENTORIES

	September 30, 2021	December 31, 2020
	\$	\$
Logs	20,384.6	2,116.4
Lumber	14,961.2	5,935.9
Supplies	5,597.9	4,086.2
By-products	1,913.7	856.0
	<b>42,857.4</b>	<b>12,994.5</b>

The above inventory balances are stated after inventory write-downs from cost to net realizable value. Inventory has not been written down at September 30, 2021 and December 31, 2020. Write-downs are included in cost of goods sold when incurred.

### 6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings / equipment	Right of use assets	Capital work in progress	Total
	\$	\$	\$	\$	\$
<i>Cost</i>					
At December 31, 2019	2,912.8	195,369.6	3,507.5	443.7	202,233.6
Net additions	-	2,187.7	40.9	(98.9)	2,129.7
Disposals	-	(143.9)	(215.8)	-	(359.7)
At December 31, 2020	2,912.8	197,413.4	3,332.6	344.8	204,003.6
Net additions	-	2,452.2	166.6	1,962.9	4,581.7
Disposals	-	-	(325.4)	-	(325.4)
<b>At September 30, 2021</b>	<b>2,912.8</b>	<b>199,865.6</b>	<b>3,173.8</b>	<b>2,307.7</b>	<b>208,259.9</b>
<i>Accumulated depreciation</i>					
At December 31, 2019	-	(64,200.6)	(767.4)	-	(64,968.0)
Depreciation charge for the year	-	(8,509.5)	(754.7)	-	(9,264.2)
Disposals	-	110.7	145.1	-	255.8
At December 31, 2020	-	(72,599.4)	(1,377.0)	-	(73,976.4)
Depreciation charge for the year	-	(6,879.9)	(513.4)	-	(7,393.3)
Disposals	-	-	325.4	-	325.4
<b>At September 30, 2021</b>	<b>-</b>	<b>(79,479.3)</b>	<b>(1,565.0)</b>	<b>-</b>	<b>(81,044.3)</b>
<i>Carrying amount</i>					
At December 31, 2020	2,912.8	124,814.0	1,955.6	344.8	130,027.2
<b>At September 30, 2021</b>	<b>2,912.8</b>	<b>120,386.3</b>	<b>1,608.8</b>	<b>2,307.7</b>	<b>127,215.6</b>

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

September 30, 2021 (unaudited)

(Tabular amounts expressed in thousands of Canadian dollars except per share amounts)

### 7. OPERATING LOAN

The Company entered into a three-year \$10.0 million secured revolving asset based credit facility (the “ABL Facility”) with a chartered bank in October 2020. The ABL Facility contains an accordion feature to increase the limit of the ABL Facility to \$15.0 million, subject to certain conditions. Under the terms of the ABL Facility, amounts drawn and to be repaid are determined by a borrowing base calculation that fluctuates with eligible accounts receivable and inventory balances, net of specific reserves. Borrowings can be in Canadian or US dollars. Interest rates on borrowings are based on either Canadian Dollar Offered Rate (“CDOR”) or London Inter-bank Offered Rate (“LIBOR”), plus an applicable margin.

The portion of the commitment that is not drawn is subject to a standby fee. The ABL Facility is primarily secured by a first priority security interest on certain existing and after acquired lumber operations assets. The Company is subject to customary covenants, including a fixed charge coverage ratio.

As at September 30, 2021, the Company has not drawn against the ABL Facility. The Company intends to utilize the ABL Facility for working capital, capital expenditures and other general corporate purposes.

### 8. BORROWINGS

	September 30, 2021	December 31, 2020
	\$	\$
<b>Non-current</b>		
Leases (a)	1,297.3	1,908.7
CP Partnership term loan (b)	54,863.5	56,999.1
Total non-current borrowings	56,160.8	58,907.8
<b>Current</b>		
Current portion of leases (a)	1,185.9	1,212.8
Current portion of CP Partnership term loan (b)	3,430.4	3,278.0
Total current portion	4,616.3	4,490.8
Total borrowings	60,777.1	63,398.6

#### (a) Leases

Leases are for office spaces, mobile and other equipment. The leases expire between 2021 and 2025 and the weighted average incremental borrowing rate is 5.7% per annum. The principal balance outstanding at September 30, 2021 is \$2.5 million (December 31, 2020 – \$3.1 million).

Interest expense on lease obligations for the nine months ended September 30, 2021 was nil (year ended December 31, 2020 – \$0.1 million). Total payments for leases, including interest, in the nine-month period was \$1.0 million (year ended December 31, 2020 – \$1.4 million).

#### (b) CP Partnership term loan

Conifex Power Limited Partnership (“CP Partnership”), a wholly-owned subsidiary of the Company, completed a \$70.0 million secured term loan (the “CP Partnership Term Loan”) with a syndicate of private lenders in October 2018. The CP Partnership Term Loan is for a term of 15 years, repayable quarterly commencing December 2018 and bears interest at a fixed rate of 6.1% per annum. On December 4, 2019, an amendment to the CP Partnership Term Loan resulted in a temporary increase in the fixed rate of 0.5%. The temporary increase in the fixed rate was applicable for the period from the amendment date to January 31, 2021.

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

September 30, 2021 (unaudited)

(Tabular amounts expressed in thousands of Canadian dollars except per share amounts)

The CP Partnership Term Loan is primarily secured by a first priority security interest on existing and after acquired assets of the bioenergy operation. The CP Partnership Term Loan is non-recourse to the Company's other operations.

Under the terms of the CP Partnership Term Loan agreement, a distribution test must be met for the cash held by CP Partnership to be available to the Company's other operations. CP Partnership was in compliance with debt covenants under the CP Partnership Term Loan and met the distribution conditions for the period ended June 30, 2021.

As at September 30, 2021, CP Partnership held \$6.6 million of cash in restricted accounts (December 31, 2020 – \$3.6 million). The cash held in restricted accounts are distributed in accordance with the terms of the CP Partnership Term Loan.

Deferred financing costs of \$2.1 million were netted against the CP Partnership Term Loan as at September 30, 2021 (December 31, 2020 – \$2.2 million).

### 9. SHARE CAPITAL

Common share activity of the Company is as follows:

	Number of common shares (in thousands)	Amount \$
Balance at December 31, 2019	46,924	290,702.9
Shares vested under share-based compensation plan during the nine months ended September 30, 2020	104	321.1
Balance at September 30, 2020	47,028	291,024.0
Repurchase of common shares	(584)	(3,617.4)
Shares vested under share-based compensation plan during the period from October 1 to December 31, 2020	9	40.0
Balance at December 31, 2020	46,453	287,446.6
<b>Repurchase of common shares</b>	<b>(2,360)</b>	<b>(14,587.7)</b>
<b>Shares vested under share-based compensation plan during the nine months ended September 30, 2021</b>	<b>56</b>	<b>115.5</b>
<b>Balance at September 30, 2021</b>	<b>44,149</b>	<b>272,974.4</b>

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

September 30, 2021 (unaudited)

(Tabular amounts expressed in thousands of Canadian dollars except per share amounts)

### Normal Course Issuer Bid

On November 10, 2020, the Company's Board of Directors approved a normal course issuer bid ("NCIB") for the purchase of up to 2,944,320 common shares, representing 10% of the Company's public float. The NCIB commenced on December 1, 2020 and expires on November 30, 2021.

In the nine months ended September 30, 2021, the Company repurchased 2,359,920 common shares for \$5.0 million (year ended December 31, 2020 – 584,400 common shares for \$0.9 million). In connection with the repurchases, \$14.6 million (year ended December 31, 2020 – \$3.6 million) was charged against share capital based on the average per share amount for common shares as at the transaction dates and a recovery of \$9.6 million (year ended December 31, 2020 – \$2.7 million) was charged to contributed surplus.

The NCIB has been terminated with the completion of the purchase of the maximum number of permitted securities on September 24, 2021.

### 10. INCOME TAX

The components of income tax expense (recovery) for operations are as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Current	(32.0)	-	(32.0)	-
Deferred	(332.9)	1,532.3	10,078.8	(969.0)
	(364.9)	1,532.3	10,046.8	(969.0)

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Income (loss) before taxes	(1,216.0)	3,502.6	39,775.1	(9,905.7)
Income tax expense (recovery) at corporate rate of 27% (2020 – 27%)	(328.3)	960.1	10,739.3	(2,715.7)
Non-deductible (non-taxable) items for tax purposes	30.8	25.4	127.3	1,133.0
Rate differentials between jurisdictions	-	(3.8)	-	39.6
Change in deferred tax assets not recognized	(32.0)	573.7	(818.2)	630.9
Other	(35.4)	(23.1)	(1.6)	(56.8)
Total income tax expense (recovery)	(364.9)	1,532.3	10,046.8	(969.0)

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

September 30, 2021 (unaudited)

(Tabular amounts expressed in thousands of Canadian dollars except per share amounts)

### 11. REVENUE

The Company has one reportable segment comprising of activities that include timber harvesting, reforestation, forest management, processing logs into lumber and wood chips, value added lumber finishing, and generation of electrical power that is complementary to the Company's harvesting and manufacturing operations.

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Lumber	<b>38,416.2</b>	31,260.4	<b>168,019.4</b>	58,112.2
Lumber by-products	<b>2,103.1</b>	350.0	<b>7,181.3</b>	2,154.9
Bioenergy	<b>7,032.4</b>	5,982.3	<b>15,472.0</b>	18,684.6
	<b>47,551.7</b>	37,592.7	<b>190,672.7</b>	78,951.7

Revenues by geographic area were as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
United States	<b>19,486.7</b>	25,881.3	<b>124,612.1</b>	42,933.6
Canada	<b>11,596.0</b>	10,349.1	<b>34,101.3</b>	28,826.0
Japan	<b>16,469.0</b>	1,362.3	<b>31,161.5</b>	7,070.5
Other	-	-	<b>797.8</b>	121.6
	<b>47,551.7</b>	37,592.7	<b>190,672.7</b>	78,951.7

The Company's harvesting, manufacturing and power generation operations are located in Mackenzie, British Columbia, Canada.

### 12. FINANCIAL INSTRUMENTS

The Company's financial assets, with the exception of certain derivative instruments, and financial liabilities are measured at amortized cost subsequent to initial recognition. Cash and cash equivalents and derivative instruments are measured at fair value through profit and loss.

Financial assets and liabilities that are measured subsequent to initial recognition at fair value are classified within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company did not hold any derivative financial instruments measured at fair value as at September 30, 2021 and December 31, 2020.

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

September 30, 2021 (unaudited)

(Tabular amounts expressed in thousands of Canadian dollars except per share amounts)

### 13. COUNTERVAILING AND ANTI-DUMPING DUTIES

On November 25, 2016, a coalition of US lumber producers petitioned the US Department of Commerce (“USDOC”) and the US International Trade Commission (“USITC”) to investigate alleged subsidies to Canadian producers by the Federal and provincial governments and to therefore levy countervailing (“CV”) and anti-dumping (“AD”) duties against Canadian imports of softwood lumber. On January 6, 2017, a preliminary determination was announced by the USITC that there was reasonable indication that the US industry is materially injured by imports of Canadian softwood lumber products and the USDOC imposed duties on such shipments into the US.

CV duties were imposed from April 28, 2017 until August 26, 2017 and from December 28, 2017 onwards, initially at 19.88%, but subsequently amended to 14.19%. AD duties were imposed from June 30, 2017 through December 26, 2017 and from December 28, 2017 onwards, initially at 6.87%, but subsequently amended to 6.04%.

The USDOC published the final CV and AD duty rates based on the completion of its first administrative review of shipments for the years ended December 31, 2017 and 2018 on December 1, 2020 and November 30, 2020, respectively. The final 2018 CV and AD duty rates of 7.42% and 1.57% respectively, will be applied as the cash deposit rate on new lumber shipments from the publication date of the final rates.

On May 21, 2021, the USDOC issued its preliminary determination of its second administrative review of shipments for the year ended December 31, 2019. The preliminary 2019 CV and AD duty rates are 6.27% and 12.05% respectively for a total of 18.32%. The USDOC may further amend these preliminary duty rates at any time, with final rate determinations expected to be published in November 2021. At such time, the final rates determined and published for 2019 will be applied to new lumber shipments.

The third administrative review covering the 2020 fiscal period commenced in March 2021 and preliminary results are expected by January 28, 2022.

The following table summarizes the cash deposit rates that are in effect for each period:

Effective dates	Cash deposit rates
January 1, 2019 to November 29, 2020	
CV	14.19%
AD	6.04%
Total	20.23%
November 30, 2020	
CV	14.19%
AD	1.57%
Total	15.76%
December 1, 2020 to June 30, 2021	
CV	7.42%
AD	1.57%
Total	8.99%

The Company expensed CV and AD duty deposits totaling \$9.1 million in the nine months ended September 30, 2021 (year ended December 31, 2020 – \$10.5 million), based on the cash deposit rates in effect at the time of the shipment. No adjustments have been recorded in the condensed consolidated interim financial statements as of September 30, 2021 to reflect the revised cash deposit rates.

# Conifex Timber Inc.

## Notes to the condensed consolidated interim financial statements

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Notwithstanding the deposit rates assigned under the investigations, the Company's final liability for the assessment of CV and AD will not be determined until each annual administrative review process is complete and related appeal processes are completed. Cumulative duties of US\$17.3 million paid by the Company, net of sales of the right to refunds, since the inception of the current trade dispute remain held in trust by the US pending the administrative reviews and conclusion of all appeals of US decisions.

Like other Canadian forest product companies, the Federal Government and Canadian provincial governments, the Company denies the US allegations and strongly disagrees with the current CV and AD determinations made by the USDOC. The Federal Government has proceeded with legal challenges under the North American Free Trade Agreement and through the World Trade Organization, where Canadian litigation has proven successful in the past.