

Condensed consolidated interim financial statements of

Conifex Timber Inc.

September 30, 2025
(Unaudited)

Conifex Timber Inc.

Condensed consolidated balance sheets
as at September 30, 2025 (unaudited)

(thousands of Canadian dollars)	Notes	As at September 30, 2025	As at December 31, 2024
		\$	\$
Assets			
<i>Current assets</i>			
Cash and cash equivalents		1,700.0	3,644.6
Cash - restricted	8	2,494.2	3,989.5
Trade and other receivables		10,607.3	7,418.7
Prepaid expenses and deposits		12,978.1	15,737.0
Inventories	5	15,836.6	14,411.7
Current assets		43,616.2	45,201.5
Property, plant and equipment	6	113,703.8	117,489.1
Intangible assets		2,316.9	3,152.4
Goodwill		1,875.0	1,875.0
Long-term duty receivable		10,226.6	11,090.4
Long-term investments and other	12	20,067.6	19,118.2
Deferred income tax assets	9	13,080.6	5,957.8
Total assets		204,886.7	203,884.4
Liabilities			
<i>Current liabilities</i>			
Trade payables, accrued liabilities and other payables		24,581.7	19,827.3
Current portion of reforestation obligations		2,395.7	2,230.9
Employee liabilities		1,309.1	638.8
Current portion of long-term debt	7	11,257.6	7,022.4
Current liabilities		39,544.1	29,719.4
Reforestation obligations		11,034.8	9,546.9
Environmental liabilities		1,294.2	1,294.1
Other long-term liabilities		6,664.4	7,186.9
Long-term debt	7	71,327.2	70,295.8
Long-term duty payable	12	13,636.6	-
Non-current liabilities		103,957.2	88,323.7
Total liabilities		143,501.3	118,043.1
Equity			
Share capital	8	246,391.2	246,391.2
Contributed surplus		45,218.3	45,478.2
Retained earnings (deficit)		(230,794.9)	(206,598.8)
Accumulated other comprehensive income		570.8	570.7
Total equity		61,385.4	85,841.3
Total liabilities and equity		204,886.7	203,884.4

Note 1- Going concern

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

Conifex Timber Inc.

Condensed consolidated statements of net loss and comprehensive loss
as at September 30, 2025 (unaudited)

(thousands of Canadian dollars)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2025	2024	2025	2024
		\$	\$	\$	\$
Revenue	10	38,161.9	25,164.1	116,650.7	97,686.7
Costs and expenses					
Cost of goods sold		35,381.8	24,850.0	95,128.2	94,066.0
Freight and distribution costs		5,663.5	4,927.3	18,321.4	17,962.1
Softwood lumber duties	12	15,255.6	168.9	20,073.6	2,664.1
Selling, general and administrative		1,383.6	1,315.2	4,698.5	5,803.2
		57,684.5	31,261.4	138,221.7	120,495.4
Operating loss		(19,522.6)	(6,097.3)	(21,571.0)	(22,808.7)
Finance costs and accretion		(4,380.9)	(1,827.8)	(9,048.6)	(6,050.1)
Foreign exchange gain		(197.2)	(179.8)	(1,184.2)	161.9
Other income		5.8	7.6	156.6	3,071.7
		(4,572.3)	(2,000.0)	(10,076.2)	(2,816.5)
Loss before taxes		(24,094.9)	(8,097.3)	(31,647.2)	(25,625.2)
Income tax expense (recovery):					
Current		-	-	-	-
Deferred		(7,480.4)	(4,259.5)	(7,451.1)	(7,503.5)
	9	(7,480.4)	(4,259.5)	(7,451.1)	(7,503.5)
Loss from continuing operations		(16,614.5)	(3,837.8)	(24,196.1)	(18,121.7)
Income from discontinued operations		-	-	-	-
Net loss		(16,614.5)	(3,837.8)	(24,196.1)	(18,121.7)
Other comprehensive income (loss)					
Foreign exchange translation of foreign operations, net of tax		3.1	(0.9)	0.1	1.0
Other comprehensive income (loss), net of tax		3.1	(0.9)	0.1	1.0
Total comprehensive loss for the period		(16,611.4)	(3,838.7)	(24,196.0)	(18,120.7)
Net loss per share, basic: (in dollars)		(0.41)	(0.09)	(0.60)	(0.45)
Net loss per share, diluted: (in dollars)		(0.37)	(0.09)	(0.54)	(0.41)

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

Conifex Timber Inc.

Condensed consolidated statements of changes in equity
as at September 30, 2025 (unaudited)

(thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income	Total equity
Balance at December 31, 2023	246,259.6	45,483.3	(176,805.8)	566.1	115,503.2
Net loss for the nine months ended					
September 30, 2024	-	-	(18,122.0)	-	(18,122.0)
Repurchase of common shares		-	(20.2)	-	(20.2)
Issue of common shares upon vesting of share-based payment	131.6	-		-	131.6
Recognition of share-based payments	-	(109.6)		-	(109.6)
Foreign exchange translation of foreign operations, net of tax	-	-	-	1.0	1.0
Balance at September 30, 2024	246,391.2	45,373.7	(194,948.0)	567.1	97,384.0
Net loss for the period from Sep 30, 2024 to December 31, 2024	-		(11,639.0)		(11,639.0)
Foreign exchange translation of foreign operations, net of tax	-	104.5	(11.8)	3.6	108.1
Balance at December 31, 2024	246,391.2	45,478.2	(206,598.8)	570.7	85,841.3
Net loss for the nine months ended					
September 30, 2025	-	-	(24,196.1)	-	(24,196.1)
Issue of common shares upon vesting of share-based payment	-	-		-	-
Recognition of share-based payments	-	(259.9)	-	-	(259.9)
Foreign exchange translation of foreign operations, net of tax	-	-	-	0.1	0.1
Balance at September 30, 2025	246,391.2	45,218.3	(230,794.9)	570.8	61,385.4

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, 2025 (unaudited)

(thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss	(16,614.5)	(3,837.8)	(24,196.1)	(18,122.0)
Items not affecting cash:				
Amortization and depreciation	3,149.8	1,100.4	7,847.0	6,823.0
Change in reforestation obligations	283.7	949.5	1,652.6	2,103.0
Finance costs and accretion	2,435.9	1,827.8	7,098.0	6,095.1
Income tax expense (recovery)	(7,480.4)	(4,259.5)	(7,451.1)	(7,503.5)
Share-based compensation	82.4	(90.5)	(259.8)	22.0
Load Displacement Agreement accretion	(156.9)	(156.9)	(470.6)	(395.6)
Share of loss of joint venture	-	(3.4)	(851.9)	(1.1)
	(18,300.0)	(4,470.4)	(16,631.9)	(10,979.1)
Change in:				
Trade and other receivables	(2,785.1)	(3,263.7)	(3,188.6)	(249.3)
Prepaid expenses and deposits	1,927.7	(517.9)	2,912.8	(3,030.7)
Inventories	2,174.5	(3,561.3)	(1,424.9)	4,264.3
Accounts payable, accrued liabilities and other payables	17,231.1	828.9	18,152.2	470.3
Environmental liabilities	-	(2.9)	-	(15.7)
Employee liabilities	63.0	(66.0)	670.3	597.9
Net cash provided from (used in) operating activities	311.2	(11,053.3)	489.9	(8,942.3)
Cash flows from investing activities				
Additions to property, plant and equipment	(207.1)	(783.6)	(2,721.9)	(4,041.3)
Net cash provided from (used in) investing activities	(207.1)	(783.6)	(2,717.1)	(4,041.3)
Cash flows from financing activities				
Proceeds of operating loan	-	-	-	(11,476.3)
Proceeds (repayment) of leases	-	-	(334.9)	379.5
Repayment from capital lease	(12.4)	(11.3)	(12.4)	(1,620.3)
Advances (Repayment), net of payment of term loans	1,200.0	3,443.3	6,318.4	26,295.8
Financing fees	(224.0)	1,881.6	200.6	3,771.9
Interest paid	(2,478.5)	(2,039.6)	(7,384.4)	(6,171.0)
Change in restricted cash	115.5	(1.4)	1,495.2	(4.2)
Net cash provided from (used in) financing activities	(1,399.4)	3,272.6	282.5	11,175.4
Net increase (decrease) in cash	(1,295.3)	(8,564.3)	(1,944.7)	(1,808.2)
Foreign exchange effect on cash	3.1	(0.9)	0.1	1.0
Cash and cash equivalents, beginning of period	2,992.2	10,948.7	3,644.6	4,190.7
Cash and cash equivalents, end of period	1,700.0	2,383.5	1,700.0	2,383.5

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

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Notes to the condensed consolidated interim financial statements

September 30, 2025 (unaudited)

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

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

The Company recognizes there is material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern but has concluded it is appropriate to prepare these consolidated financial statements on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the ordinary course of business.

During the current year, the Company’s financial results have been adversely impacted by duty and tariff increases imposed by the United States of America on softwood lumber imports. The uncertainty and impact of duties and tariffs related to generating positive cash flows from operations are unknown and indeterminable at this time. This has resulted in higher costs and reduced margins, creating uncertainty regarding future operating cash flows and profitability. After adjustments for working capital items, net cash outflow from operations was \$0.3 million for the three months ended and cash generated \$0.5 million for the nine months ended September 30, 2025. The Company funded duty deposits of \$3.2 million and \$8.0 million over the respective three- and nine-month periods. Consequently, net working capital at September 30, 2025, was \$4.0 million as compared to \$15.5 million as at December 31, 2024.

The Company is working collaboratively with its lenders to provide additional accommodations under its existing facilities, including amending payment terms and amortization periods (see note 7). The Company is also pursuing financing opportunities available through the federal government’s \$700 million Softwood Lumber Guarantee Program. The program is aimed at providing liquidity support to Canadian softwood lumber businesses impacted by current economic conditions. While details on eligibility and funding timelines continue to be refined, and no guarantee of funding through the program is assured, the Company believes that the program is designed to help companies like Conifex fund their operational cash flow and to support continuity of operations. The Company may also explore the sale of certain non-core assets to provide additional liquidity.

Management has also implemented cost saving measures and is deferring non-essential capital expenditures.

The Company’s ability to continue as a going concern is dependent on its ability to realize positive cash flows from operations, as well as its ability to obtain additional financing from lenders, and amend its debt repayment terms and timing. The outcome of the foregoing, as well as ongoing trade negotiations and tariff policies, remains uncertain, and our ability to generate positive cash flows from operations is dependent on market prices for lumber, demand for the Company’s products and/or increases in productivity resulting in higher volumes produced and lower costs, none of which can be assured. These financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the Company be unable to continue as a going concern, which could be material.

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, 2024, which have been

Conifex Timber Inc.

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prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IFRS Accounting Standards).

3. MATERIAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared using the material accounting policies and methods of computation consistent with those applied in the Company's December 31, 2024 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.

5. INVENTORIES

	September 30, 2025	December 31, 2024
	\$	\$
Logs	4,091.7	2,678.9
Lumber	3,719.9	4,559.4
Supplies	7,271.8	6,854.7
By-products	753.2	318.7
	15,836.6	14,411.7

The above inventory balances are stated after inventory write-downs from cost to net realizable value. Inventory has been written down by \$1.2 million on September 30, 2025 (December 31, 2024 – nil). Write-downs are included in cost of goods sold when incurred.

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings / equipment	ROU assets	Capital work in progress	Total
	\$	\$	\$	\$	\$
<i>Cost</i>					
At December 31, 2023	2,912.8	216,140.8	3,556.7	3,598.7	226,209.0
Net additions	-	3,695.0	1,849.9	(102.6)	5,442.3
Disposals	-	(1,528.0)	-	-	(1,528.0)
At December 31, 2024	2,912.8	218,307.8	5,406.6	3,496.1	230,123.3
Net additions *	-	3,038.6	235.1	3,759.2	7,032.9
Disposals	-	(299.0)	-	(3,360.0)	(3,659.0)
At September 30, 2025	2,912.8	221,047.4	5,641.7	3,895.3	233,497.2
<i>Accumulated depreciation</i>					
At December 31, 2023	-	(100,242.3)	(2,847.9)	-	(103,090.2)
Depreciation charge for the year	-	(10,328.4)	(714.7)	-	(11,043.1)
Disposals	-	1,499.2	-	-	1,499.2
At December 31, 2024	-	(109,071.5)	(3,562.6)	-	(112,634.1)
Depreciation charge for the year	-	(7,073.5)	(384.8)	-	(7,458.3)
Disposals	-	299.0	-	-	299.0
At September 30, 2025	-	(115,846.0)	(3,947.4)	-	(119,793.4)
<i>Carrying amount</i>					
At December 31, 2024	2,912.8	109,236.3	1,844.0	3,496.1	117,489.2
At September 30, 2025	2,912.8	105,201.4	1,694.3	3,895.3	113,703.8

* Insurance proceeds received during the nine months ended September 30, 2025 of \$ nil (year ended December 31, 2024 – \$3.0 million) have been netted against the capital work in progress additions.

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Notes to the condensed consolidated interim financial statements

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

7. BORROWINGS

	September 30, 2025	December 31, 2024
	\$	\$
Non-current		
Leases (a)	1,639.1	2,459.5
CPLP term loan (b)	42,788.0	44,836.0
Term loan facility (c)	26,900.0	23,000.0
Total non-current borrowings	71,327.1	70,295.5
Current		
Current portion of leases (a)	1,016.0	774.9
Current portion of CPLP (b)	4,441.7	4,247.6
Current portion of term loan facility (c)	5,800.0	2,000.0
Total current portion	11,257.7	7,022.5
Total borrowings	82,584.8	77,318.0

(a) Leases

Leases are for office spaces, mobile and other equipment. The leases expire between 2025 and 2029 and the weighted average incremental borrowing rate is 5.7% per annum. The principal balance outstanding on September 30, 2025, is \$2.7million (December 31, 2024 – \$3.2 million).

Interest expense on lease obligations for the nine months ended September 30, 2025 was \$0.1 million (year ended December 31, 2024 – \$0.1 million). Total payments for leases, including interest, in the nine months was \$0.7 million (year ended December 31, 2024 – \$1.2 million).

(b) CPLP Term Loan

CPLP, a wholly-owned subsidiary of the Company, completed a \$70.0 million secured term loan (the "CPLP Term Loan") with a syndicate of private lenders in October 2018. The CPLP Term Loan has a term of 15 years, is repayable quarterly commencing December 2018 and bore interest at a fixed rate of 6.1% per annum. In March 2024, CPLP amended the CPLP Term Loan to, among other things, release certain restricted cash thereunder, the proceeds of which were applied to pay down the Company's secured revolving credit facility with Wells Fargo Capital Finance Corporation Canada, which credit facility has since been retired. Following this amendment, the CPLP Term Loan bears interest at a stepped-up interest rate per annum currently at 8.75%.

The CPLP Term Loan is primarily secured by a first priority security interest on existing and after acquired assets of the bioenergy operations. The CPLP Term Loan is non-recourse to the Company's other operations. As at September 30, 2025, CPLP was in compliance with debt covenants under the CPLP Term Loan. The Company continues to work on additional amendments that would allow the Company, on an ongoing basis, to comply with its obligations under the CPLP Term Loan. There can be no assurance that any such amendments will be agreed to on terms acceptable to the Company or at all. If the Company is unsuccessful in negotiating such amendments or is unable to obtain a permanent or temporary waiver in lieu thereof, it may be in default of its contractual obligations under the CPLP Term Loan.

As at September 30, 2025, CPLP held \$2.5 million of cash in restricted accounts (December 31, 2024 – \$4.0 million). Funds from restricted accounts are distributed in accordance with the terms of the CPLP Term Loan.

Deferred financing costs of \$1.4 million were netted against the CPLP Term Loan as at September 30, 2025 (December 31, 2024 – \$1.5 million)

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

(c) PenderFund Term Loan

On June 12, 2024, the Company entered a credit agreement with Pender Corporate Bond Fund ("PenderFund") for \$25.0 million. The PenderFund Term Loan has a term of five years, and the maturity date is June 12, 2029. The PenderFund Term Loan has a fixed rate of 14% per annum. Interest is paid on a monthly basis. Unused fee on the amount at a rate of 3.0%

In January 2025, the Company amended and restated the PenderFund Term Loan to increase the aggregate principal amount thereunder to up to \$41 million, of which \$5 million was drawn immediately and the remaining \$11 million was subject to completion of financial due diligence. The scheduled payment amounts do not change for the additional \$5 million that was drawn and it will be due at the end of year five along with the remaining outstanding balance. The Company drew an additional \$3.5 million in the first quarter of 2025 (the "Additional Advance") to fund its log inventory build up prior to spring breakup, which came due June 30, 2025.

In June 2025, the Company did not pay the balance owed stated above, and as such, subsequent to that quarter end, the Company entered into a letter of undertaking with PenderFund. The Company repaid \$500,000 of the Additional Advance in early July, and has agreed to pay \$150,000 on the first day of each month thereafter until the Additional Advance is repaid in full.

In September 2025 following internal diligence procedures, PenderFund increase the aggregate principal amount available to Conifex to approximately \$35.0 million, subject to certain conditions. PenderFund advanced another \$2.0 million to the Company on September 11, 2025. Interest is calculated at the same rate listed above and paid on a monthly basis. \$2.0 million will be paid to PenderFund on or before December 25, 2025 (please see Note 1).

The Company engaged in discussions from PenderFund regarding additional advances and an amendment to certain repayment terms under the PenderFund Term Loan.

8. SHARE CAPITAL

Common share activity of the Company is as follows:

	Number of common shares (in thousands)	Amount \$
Balance at December 31, 2024 and September 30, 2024	40,767	246,391.2
Shares vested under share-based compensation plan during the nine months ended September 30, 2025	-	-
Balance at September 30, 2025	40,767	246,391.2

9. INCOME TAX

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

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Current	-	-	-	-
Deferred	(7,480.4)	(4,259.5)	(7,451.1)	(7,503.5)
	(7,480.4)	(4,259.5)	(7,451.1)	(7,503.5)

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

	2025	2024	2025	2024
	\$	\$	\$	\$
Loss before taxes	(24,091.5)	(3,837.8)	(31,721.7)	(18,122.0)
Income tax expense (recovery) at corporate rate of 27% (2025 – 27%)	(6,504.7)	(1,036.2)	(8,564.9)	(4,892.9)
Non-deductible (non-taxable) items for tax purposes	64.8	(16.8)	96.3	50.7
Rate differentials between jurisdictions	-	-	-	-
Effect of previously unrecognized deferred tax	-	-	-	-
Change in deferred tax assets not recognized	(1,175.5)	-	(1,175.5)	-
Other	135.0	(3,206.5)	2,193.0	(2,661.3)
Total income tax expense (recovery)	(7,480.4)	(4,259.5)	(7,451.1)	(7,503.5)

10. 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,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Lumber	26,449.2	19,074.5	85,134.5	73,554.0
Lumber by-products and other	4,865.8	2,934.1	14,066.3	8,261.4
Bioenergy	6,847.0	3,155.5	17,450.0	15,871.3
	38,161.9	25,164.1	116,650.7	97,686.7

Revenues by geographic area were as follows:

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
United States	19,338.8	16,802.7	67,218.6	61,401.5
Canada	18,823.1	8,361.4	49,432.1	34,354.0
Japan	-	-	-	1,931.2
	38,161.9	25,164.1	116,650.7	97,686.7

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

11. 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, 2025 and December 31, 2024

12. 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%.

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

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On December 2, 2021, the USDOC published its final determination of the second administrative review of shipments for the year ended December 31, 2019. The final 2019 CV and AD duty rates of 6.32% and 11.59% respectively were applied as the cash deposit rate on new lumber shipments from the date of publication until publication of the final rates under the third administrative review.

On August 9, 2022, the USDOC issued the final rates for the third administrative review of shipment for the year ended December 31, 2020. The final 2020 CV and AD rates of 3.83% and 4.76% respectively were applied as the cash deposit rate on new lumber shipments from the date of publication until publication of the final rates under the fourth administrative review.

The USDOC initiated the fourth administrative review on March 9, 2022. On January 24, 2023, the USDOC issued its preliminary determination for shipments in the year ended December 31, 2021. In August 2023, the USDOC published its final rates for the year ended 2021, which were CV and AD duty rates of 1.79% and 6.26% respectively for a total of 8.05%.

The USDOC initiated the fifth administrative review on March 14, 2023 covering shipments in the year ended December 31, 2022. On August 13, 2024, the USDOC announced the final duty rate for the year ended 2022, which were CV and AD duty rates of 6.74% and 7.80% respectively for a combined rate of 14.54%.

On September 24, 2024, the USDOC amended the notice of final results for its fifth administrative review of the AD duties to correct Ministerial errors in the calculation of West Fraser Mills Ltd.'s AD rate. This resulted in a 0.14% decrease to the "all others" rate, for a combined rate of 14.40%. This amendment replaces the final AD cash deposit rate previously published on August 19, 2024.

On March 3, 2025 and April 4, 2025, the USDOC released preliminary AD and CV rates of 20.07% and 14.38%, respectively, for its sixth administrative review ("AR6"), covering imports from January 1, 2023, to December 31, 2023.

On September 11, 2025, the USDOC announced its final results AD and CV duty rates for AR6. The rates for AD and CV are 20.53% and 14.63, respectively, for a combined rate of 35.16%.

The final combined rate will be applied to new lumber shipments, and an accounting entry was required to capture the difference between the initial deposit rate and the final combined "all-others" rate on 2023 lumber shipments. Based on the final combined "all-others" rate, we recorded a non-cash additional duty expense including interest of US \$10.1 million.

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Effective dates	Cash Deposit Rate			Final Rate		
	CV	AD	Combined	CV	AD	Combined
Jan 1, 2019 to Dec 31, 2019	14.19%	6.04%	20.23%	6.32%	11.59%	17.91%
Jan 1, 2020 to Nov 30, 2020 ¹	14.19%	6.04%	20.23%	3.83%	4.76%	8.59%
Dec 1, 2020 to Dec 31, 2020	7.42%	1.57%	8.99%	3.83%	4.76%	8.59%
Jan 1, 2021 to Dec 1, 2021	7.42%	1.57%	8.99%	1.79%	6.26%	8.05%
Dec 2, 2021 to Dec 31, 2021	6.31%	11.59%	17.90%	1.79%	6.26%	8.05%
Jan 1, 2022 to Jan 9, 2022	6.31%	11.59%	17.90%	6.74%	7.66%	14.40%
Jan 10, 2022 to Aug 8, 2022	6.32%	11.59%	17.91%	6.74%	7.66%	14.40%
Jan 1, 2023 to Jul 31, 2023	3.83%	4.76%	8.59%	14.63%	20.53%	35.16%
Aug 1, 2023 to Sep 12, 2023	1.79%	6.20%	7.99%	14.63%	20.53%	35.16%
Sep 13, 2023 to Dec 31, 2023	1.79%	6.26%	8.05%	14.63%	20.53%	35.16%
Jan 1, 2024 to Aug 18, 2024	1.79%	6.26%	8.05%	TBA	TBA	TBA
Aug 19, 2024 to Sep 25, 2024	6.74%	7.80%	14.54%	TBA	TBA	TBA
Sep 26, 2024 to Jul 28, 2025	6.74%	7.66%	14.40%	TBA	TBA	TBA
Jul 29, 2025 to Aug 11, 2025	6.74%	20.56%	27.30%	TBA	TBA	TBA
Aug 12, 2025 to Sep 10, 2025	14.63%	20.56%	35.19%	TBA	TBA	TBA
Sep 11, 2025 onwards	14.63%	20.53%	35.16%	TBA	TBA	TBA

¹ The cash deposit AD rate for November 30, 2020 is 1.57%, for a combined total rate of 15.76%.

The Company expensed CV and AD duty deposits totaling \$8.0 million in the nine months ended September 30, 2025 (year ended December 31, 2024 – \$4.4 million), based on the cash deposit rates in effect at the time of the shipment, not including the adjustment for AR6.

Notwithstanding the cash deposit rates and published final 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\$44.1 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.

As of September 30, 2025, the net duty recoverable of \$10.2 million (December 31, 2024 - \$11.0 million) and interest accrued on the net duty recoverable is included on the company's condensed consolidated balance sheet as a long-term receivable, reflecting the difference between the cash deposit rate in effect and the final published CV and AD rates for the period between January 1, 2019 and December 31, 2022.

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.

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13. SUBSEQUENT EVENT

Pender Term Loan

In October 2025, PenderFund increased the aggregate principal amount available to Conifex under the PenderFund Term Loan by \$1.0 million. Following the increase, the aggregate principal amount available under the Pender Term Loan is approximately \$36.0 million. All terms are the same as stated in Note 7c above. This amount will be paid to PenderFund on or before January 26, 2026.

Section 232 Tariffs

On March 1, 2025, the US administration issued an executive order directing the Secretary of Commerce to determine whether imports of timber, lumber, and derivative products threaten US national security.

As a result, effective October 14, 2025, the US administration imposed additional tariff of 10% on all softwood lumber imported into the US, resulting in a combined duty and tariff rate of 45.16%. The duration of this 10% tariff is uncertain. We are actively working with the Government of Canada to advocate for measures that support the forestry sector during this period of uncertainty.