



**CONIFEX TIMBER INC.
THIRD QUARTER 2025**

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 13, 2025

This Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and results of operations of Conifex Timber Inc. ("Conifex", "us", "we", or "our"), on a consolidated basis, for the quarter ended September 30, 2025, relative to the quarters ended June 30, 2025, and September 30, 2024. This interim MD&A should be read together with our unaudited condensed consolidated interim financial statements for the quarters ended September 30, 2025 and 2024 and our MD&A and our audited consolidated financial statements and notes thereon for the year ended December 31, 2024, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IFRS Accounting Standards) and filed on SEDAR+ at www.sedarplus.ca.

In this MD&A, reference is made to "EBITDA". EBITDA represents earnings before finance costs, taxes, depreciation and amortization. We disclose EBITDA as it is a measure used by analysts and by our management to evaluate our performance. As EBITDA is not a generally accepted earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS, it may not be comparable to EBITDA calculated by other companies. In addition, EBITDA is not a substitute for net earnings or cash flow, as determined in accordance with IFRS, and therefore readers should consider those measures in evaluating our performance.

In this interim MD&A, all references to "\$" are to Canadian dollars and references to "US\$" are to US dollars.

Forward-Looking Statements

This interim MD&A contains certain forward-looking information that reflects our current views and/or expectations with respect to our beliefs, assumptions, estimates and forecasts about our business and the industries and markets in which we operate. The reader is cautioned that statements comprising forward-looking information are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other factors which are difficult to predict and that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

Examples of such forward-looking information that may be contained in this document include statements regarding: the availability and use of credit facilities or proceeds therefrom; our level of liquidity, our ability to service our debt, and our ability to amend our debt repayment terms and timing, as necessary; our ability to access financing opportunities through the federal government's \$700 million Softwood Lumber Guarantee Program; the realization of expected benefits of completed, current and any contemplated capital projects and the expected timing and budgets for such projects, including the build-out of any high-performance computing or data center operations; the growth and future prospects of our business; our expectations regarding our results of operations and performance; our planned operating format and expected operating rates; our perception of the industries or markets in which we operate and anticipated trends in such markets and in the countries in which we do business; our ability to supply our manufacturing operations with wood fibre and our expected cost of wood fibre; our expectation for market volatility associated with, among other things, the softwood lumber dispute with the US; potential negative impacts

of duties, or other protective measures on our products, such as antidumping duties or countervailing duties on softwood lumber, or tariffs, duties or other protective measures on the Canadian economy in general; the expected rates of such antidumping duties, countervailing duties, tariffs, and other duties imposed by the US government, and any accounting entries required in respect thereof; the outcome and/or effects of the US government's investigation into the national security implications of importing timber, lumber, and related products; continued positive relations with Indigenous groups; the development of a longer-term capital plan and the expected benefits therefrom; demand and prices for our products; our ability to develop new revenue streams; the outcome of any actual or potential litigation; future capital expenditures; changes in stumpage fees and the uncertainty regarding future timber availability and costs resulting therefrom; and our expectations regarding interest rates and US dollar benchmark prices.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements may include, but are not limited to, our future debt levels; that we will complete our projects in the expected timeframes and as budgeted; that we will effectively market our products; that capital expenditure levels will be consistent with those estimated by our management; our ability to obtain and maintain required governmental and community approvals; the impact of changing government regulations and shifting political climates; that current demand for lumber will continue to be in balance with supply; that transportation services by third party providers will continue uninterrupted; our ability to ship our products in a timely manner; that there will be no unforeseen disruptions affecting the operation of our Mackenzie power plant and that we will be able to continue to deliver power therefrom; our ability to obtain financing on acceptable terms, or at all; that interest and foreign exchange rates will not vary materially from current levels; the general health of the capital markets and the lumber industry; and the general stability of the economic environments within the countries in which we operate or do business.

Persons reading this interim MD&A are cautioned that statements comprising forward-looking information are only predictions, and that our actual future results or performance are subject to certain risks and uncertainties including, without limitation: those relating to potential disruptions to production and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other similar factors; labour relations; failure to meet regulatory requirements; changes in the market; potential downturns in economic conditions; fluctuations in the price and supply of required materials, including log costs; fluctuations in the market price for products sold; foreign exchange fluctuations; trade restrictions or import duties, tariffs or other protective measures imposed by foreign governments; availability of financing (as necessary); and other risk factors detailed in our 2024 annual information form dated March 12, 2025 and our 2024 annual MD&A dated March 12, 2025 available under Conifex's profile on SEDAR+ at www.sedarplus.ca and other filings with the Canadian securities regulatory authorities. These risks, as well as others, could cause actual results and events to vary significantly. Conifex does not undertake any obligation to update any forward-looking information, except as required by applicable securities laws.

BUSINESS OVERVIEW

We are a British Columbia forestry and independent power company operating in lumber and bioenergy. Our lumber operations are primarily involved in the manufacture, sale, and distribution of dimension lumber.

We operate a two-line sawmill in Mackenzie, British Columbia (the "**Mackenzie Mill**"). We hold a forest licence in the timber supply area ("**TSA**") in and around Mackenzie with an allowable annual cut ("**AAC**") of 501,759 cubic metres and own 50% of a joint venture which holds a forest licence with an AAC of 237,988 cubic metres in the same TSA. Our Mackenzie Mill has approximately 240 million board feet of annual lumber capacity on a two-shift basis.

We operate a 36-megawatt biomass power generation plant in Mackenzie, British Columbia (the "**Power Plant**"), located at the site of our Mackenzie Mill. Our Power Plant's output capacity is in excess of 230 gigawatt hours ("**GWh**") of electricity per year. We have an electricity purchase agreement ("**EPA**") and a related load displacement agreement ("**LDA**") with the British Columbia Hydro and Power Authority ("**BC Hydro**"). Under the EPA, BC Hydro agreed to purchase approximately 200 GWh of electrical energy

annually over a 20-year term ending in 2035, for a fixed price, and under the LDA we agreed to supply the energy requirements of our Mackenzie Mill over the same 20-year term.

While our core focus is the operation of our Mackenzie Mill and Power Plant, we are continuously reviewing strategic opportunities that may increase shareholder value.

RECENT DEVELOPMENTS

Pender Term Loan

In September 2025, we announced that PenderFund Capital Management Ltd. ("**Pender**") had increased the aggregate principal amount available to Conifex under the secured term loan supporting its lumber operations (the "**Pender Term Loan**") by \$4.0 million. Following the increase, the aggregate principal amount available under the Pender Term Loan is approximately \$35 million, subject to certain conditions.

SUMMARY

The following table summarizes our operating results.

Selected Financial Information					
(unaudited, in millions of dollars, except share and exchange rate information)					
	Q3 2025	Q2 2025	YTD 2025	Q3 2024	YTD 2024
Sales					
Lumber – Conifex produced	26.4	27.4	85.1	19.1	73.6
By-products and other	4.9	2.9	13.9	2.9	8.3
Bioenergy	6.8	3.6	17.6	3.2	15.9
	38.2	33.9	116.7	25.2	97.7
Operating income (loss)	(19.5)	(4.5)	(21.7)	(6.1)	(22.9)
EBITDA ⁽¹⁾	(16.6)	(3.2)	(14.8)	(3.9)	(11.5)
Net income (loss)	(16.6)	(8.3)	(24.3)	(3.8)	(18.1)
Basic earnings (loss) per share	(0.41)	(0.20)	(0.60)	(0.09)	(0.45)
Diluted earnings (loss) per share	(0.37)	(0.18)	(0.54)	(0.09)	(0.41)
Shares outstanding – weighted average (millions)	40.8	40.8	40.8	40.5	40.5
Diluted Shares (millions)	45.1	45.1	45.1	44.1	44.1
Reconciliation of EBITDA to net income (loss)					
Net income (loss)	(16.6)	(8.3)	(24.3)	(3.8)	(18.1)
Add: Finance costs	4.4	2.4	9.1	1.8	6.1
Amortization	3.1	1.9	7.9	2.4	8.1
Deferred income tax expense (recovery)	(7.5)	0.8	(7.5)	(4.3)	(7.5)
EBITDA ⁽¹⁾	(16.6)	(3.2)	(14.8)	(3.9)	(11.5)
Selected Operating Information					
Production – WSPF lumber (MMfbm) ⁽²⁾	38.5	35.3	120.2	31.5	110.0
Shipments – WSPF lumber (MMfbm) ⁽²⁾	40.1	38.9	116.9	29.3	112.4
Electricity production (GWh)	47.6	29.6	124.9	25.9	120.0
Average exchange rate – \$/US\$ ⁽³⁾	0.726	0.723	0.715	0.733	0.735
Average WSPF 2x4 #2 & Btr lumber price (US\$) ⁽⁴⁾	\$477	\$471	\$480	\$367	\$398
Average WSPF 2x4 #2 & Btr lumber price (CDN\$) ⁽⁵⁾	\$657	\$651	\$671	\$500	\$542

(1) Conifex's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization.

(2) MMfbm represents million board feet.

(3) Bank of Canada, www.bankofcanada.ca.

(4) Random Lengths Publications Inc.

(5) Average SPF 2x4 #2 & Btr lumber prices (US\$) divided by average exchange rate.

REVIEW OF THIRD QUARTER 2025 FINANCIAL RESULTS

During the third quarter of 2025, we incurred a net loss of \$16.6 million or \$0.41 per share compared to a net loss of \$8.3 million or \$0.20 per share in the previous quarter, and net loss of \$3.8 million or \$0.09 per share in the third quarter of 2024.

North American lumber market prices peaked in early August and then experienced a gradual decline in the latter part of the third quarter of 2025 but remained slightly higher than in the second quarter of 2025. Reductions in demand continued to create downward pressure on softwood lumber prices. Housing unaffordability remained high, as sticky inflation and the corresponding impact to bond yields left mortgage rates at elevated levels. Compounding this challenging macro-environment, Canadian producers were met with substantial US softwood lumber duty rate increases in the third quarter.

US dollar-denominated benchmark WSPF prices, which averaged \$477 in the third quarter of 2025, increased by 1% or \$6 from the previous quarter and increased by 30% or \$110 from the third quarter of 2024¹. Market prices in the third quarter of 2025 were negatively impacted by continued ongoing economic uncertainty, partially driven by the continuously evolving tariff landscape and the corresponding impact to mortgage rates. Market prices remained relatively flat compared to the previous quarter, but site level realizations declined as the onset of the duty rate increases eroded profitability.

US housing starts on a seasonally adjusted annual basis averaged 1.37 million in the third quarter of 2025, compared to 1.32 million in the previous quarter, and 1.33 million in the third quarter of 2024. In addition, repair and remodelling demand remained challenged due to ongoing economic uncertainty.

Lumber Operations

Our lumber production in the third quarter of 2025 totalled approximately 38.5 million board feet, representing operating rates of approximately 64% of annualized capacity. Third quarter production was negatively impacted by challenges related to log profile and delivery delays caused by the use of water-based deliveries in our supply chain which is in the normal course of business for the summer delivery season.

Our third quarter production represented an increase of 9% from the 35.3 million board feet produced in the previous quarter, primarily due to our ability to operate our planer on a five-day, two shift operating configuration as a result of increased log availability, and an increase of 22% from the 31.5 million board feet produced in the third quarter of 2024, during which quarter we were negatively impacted by market-related curtailments.

Shipments of Conifex-produced lumber totaled 40.1 million board feet in the third quarter of 2025, representing an increase of 3% from the 38.9 million board feet shipped in the previous quarter, primarily due to the increased operating configuration of our planer and a draw-down in lumber inventory in the current quarter, and an increase of 37% from the 29.3 million board feet of lumber shipped in the third quarter of 2024, during which quarter we were negatively impacted by market-related curtailments.

Revenues from lumber products were \$26.4 million in the third quarter of 2025, representing a decrease of 4% from the previous quarter and an increase of 38% from the third quarter of 2024. Compared to the previous quarter, lower sales realizations on flat lumber market prices with higher duty rates, combined with a lower exchange rate on US dollar denominated lumber sales, contributed to decreased revenue. The revenue increase in the current quarter over the same period in the prior year was due to higher sales realizations as a result of higher print prices and higher exchange rates on US denominated lumber sales in the current quarter.

¹ Source: Random Lengths Publications Inc.

Cost of goods sold in the third quarter of 2025 increased by 19% from the previous quarter and decreased by 36% from the third quarter of 2024. The increase in cost of goods sold from the prior quarter was primarily driven by higher production volume and higher inventoried costs resulting in a non-cash inventory write down of approximately \$1.2 million in the current quarter. Log costs were also higher in the third quarter of 2025 than in the previous quarter due to the use of water-based deliveries in our supply chain, which are more complex than direct-from-bush haul and are in the normal course of business for the summer delivery season. Unit manufacturing costs in the third quarter of 2025 were materially higher than the previous quarter and generally on par with the third quarter of 2024. The increase from the previous quarter was primarily the result of higher raw material costs due to an increase in consumed log cost and decrease in lumber recovery, which was primarily driven by a smaller overall log profile.

We recorded inventory valuation reserves of \$1.2 million in the third quarter of 2025, nil in the second quarter of 2025, and \$0.7 million in the third quarter of 2024. The increased in inventory reserves relative to the previous quarter of 2025 and the third quarter of 2024 can be attributed to slightly higher inventoried unit costs, more inventory, and slightly less favourable projected sales prices based on inventory distribution.

We expensed countervailing ("**CV**") and anti-dumping ("**AD**") duty deposits of \$15.3 million in the third quarter of 2025, \$2.0 million in the previous quarter and \$0.2 million in the third quarter of 2024. In September of 2024, the duty deposit rate increased from a combined rate of 8.05% to a combined rate of 14.4%, and in September of 2025 duty deposit rates increased again from a combined rate of 14.4% to a combined rate of 35.16% as a result of the finalization of the sixth administrative review ("**AR6**"). Export taxes during the third quarter of 2025 were materially higher than the previous quarter due to the aforementioned duty rate increase, combined with a non-cash duty export expense of \$12 million booked in the third quarter of 2025 to reflect the finalization of duty rates under AR6, and were materially higher than the third quarter of 2025 due to higher duty rates and the non-cash duty export expense, together with higher shipped volume and selling prices in the current quarter. In total we have deposited US\$44.1 million net of duty sales.

Bioenergy Operations

Our Power Plant sold 47.6 GWh of electricity under our EPA with BC Hydro in the third quarter of 2025 representing approximately 88% of targeted operating rates. Our Power Plant sold 29.6 GWh in the second quarter of 2025 and 25.9 GWh of electricity in the third quarter of 2024. Production at our Power Plant in the third quarter of 2025 increased relative to the previous quarter due to undertaking the bulk of our six-week annual maintenance shutdown, which ended in early July, in the second quarter of 2025. Production increased relative to the third quarter of 2024 due to the occurrence in the third quarter of 2024 of a five-week curtailment relating to the threat of a transportation disruption arising from the CN labour strike and the corresponding impact to the sawmill side of our business.

Electricity production contributed revenues of \$7.0 million in the third quarter of 2025, \$3.6 million in the previous quarter and \$3.2 million in the third quarter of 2024. The reduced operating days in the two comparative quarters were the primary reason for the lower revenues in such quarters, with the time of delivery factor also negatively impacting the second quarter of 2025.

Selling, General and Administrative Costs

Selling, general and administrative ("**SG&A**") costs slightly decreased between the third quarter of 2025 and the previous quarter and increased from the third quarter of 2024. SG&A costs were \$1.4 million in the third quarter of 2025, \$1.5 million in the previous quarter and \$1.3 million in the third quarter of 2024. Overall SG&A costs remained largely unchanged, and the small variances were immaterial in nature over any specific area of the SG&A segment.

Finance Costs and Accretion

Finance costs and accretion totaled \$4.4 million in the third quarter of 2025, \$2.4 million in the previous quarter and \$1.8 million in the third quarter of 2024. The increase in finance costs relative to the previous quarter primarily relates to the non-cash adjustment of \$1.9 million in interest related to the finalization of the duty rates under AR6 in the current quarter. The increase in finance costs compared to the third quarter of 2024 primarily relates to the non-cash interest adjustment of \$1.9 million in the current quarter, combined with additional draws on the Pender Term Loan taken at the end of the first quarter and near the end of the third quarter which increased our interest expense, partially offset by principal repayments against the secured term loan supporting our power operations (the "**Power Term Loan**") and repayments against the Pender Term Loan.

Gain or Loss on Derivative Financial Instruments

From time to time, we may enter into lumber future contracts to manage our commodity lumber price or foreign exchange exposures. Gains or losses on derivative instruments are recognized as they are settled or as they are marked to market for each reporting period.

There were no outstanding futures contracts in place as at September 30, 2025.

Other Income

We recognized minimal other income in each of the third quarter of 2025, the previous quarter, and the third quarter of 2024.

Foreign Exchange Translation Gain or Loss

The foreign exchange translation gain or loss recorded for each period on our statement of net income results from the revaluation of US dollar-denominated cash and working capital balances to reflect the change in the value of the Canadian dollar relative to the value of the US dollar. US dollar-denominated monetary assets and liabilities are translated using the period end rate.

The US dollar averaged US\$0.726 for each Canadian dollar during the third quarter of 2025, a level which represented a strengthening of the Canadian dollar over the previous quarter².

The foreign exchange translation impacts arising from the variability in exchange rates at each measurement period on cash, working capital balances, and the carrying value of softwood lumber duties on our balance sheet resulted in a foreign exchange translation loss of \$0.2 million in the third quarter of 2025, compared to a foreign exchange translation loss in the previous quarter of \$0.8 million and foreign exchange gain of \$0.2 million in the third quarter of 2024. The decrease in loss relative to the previous quarter is due to a weakening of the Canadian dollar to the US dollar quarter over quarter and a strengthening of the Canadian dollar to the US dollar relative to the third quarter of 2024.

Income Tax

We recorded an income tax recovery of \$7.5 million in the third quarter of 2025, a \$0.8 million expense in the previous quarter and a \$4.3 million recovery in the third quarter of 2024. The increase in tax recovery in the current quarter compared to the previous quarter and the third quarter of 2024 was primarily due to a non-cash adjustment of \$12 million plus interest relating to the finalization of duty rates under AR6, which was booked during the current quarter.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities on our balance sheet and the amounts used for income tax purposes. As at September

² Source: Bank of Canada, www.bankofcanada.ca

30, 2025, we have recognized deferred income tax assets of \$13.1 million, compared to \$5.9 million in the previous quarter and \$10.5 million in the third quarter of 2024.

SUMMARY OF FINANCIAL POSITION

(unaudited, in millions of dollars, unless otherwise noted)	Q3 2025	Q2 2025	Q3 2024
Cash	1.7	3.0	2.4
Cash – restricted	2.5	2.6	5.5
Operating working capital ⁽¹⁾	11.1	15.4	15.6
Operating loan	0.0	0.0	(0.0)
Current portion of long-term debt	(11.3)	(8.9)	(7.8)
Net current assets	4.1	12.1	15.7
Property, plant and equipment	113.7	116.6	120.4
Long-term duty receivable	10.2	10.5	10.2
Other long-term assets	37.4	30.3	38.0
	165.3	169.5	184.3
Non-interest bearing long-term liabilities	19.0	18.9	17.2
Long-term debt – Power Term Loan	42.8	42.8	43.7
Long-term debt – other ⁽²⁾	28.5	29.9	26.1
Long-term duty payable	13.6	-	-
Shareholders' equity	61.4	77.9	97.4
	165.3	169.5	184.3
Ratio of current assets to current liabilities	1.1	1.4	1.5
Net debt to capitalization	56%	49%	41%
Net debt to capitalization excluding Power Term Loan	35%	29%	20%

(1) Calculated as the aggregate of trade and other receivables, prepaid expenses and deposits and inventories less the aggregate of trade payables, accrued liabilities and other payables, the current portion of reforestation obligations and employee liabilities.

(2) Consists of Pender Term Loan and equipment and vehicle leases expiring between 2025 and 2029.

In the third quarter of 2025, operating working capital decreased by \$4.3 million over the second quarter of 2025 primarily due to a decrease in inventories and prepaids combined with an increase in trade payables, partially offset by an increase in trade receivables. Operating working capital decreased by \$4.5 million compared to the third quarter of 2024 due to a \$5.1 million increase in trade payables and a \$3.9 million decrease in inventories, partially offset by a \$3.1 million increase in trade receivables.

Overall debt was \$82.6 million at September 30, 2025, compared to \$81.6 million at June 30, 2025, and \$77.6 million at September 30, 2024. The increase in overall debt between the third quarter of 2025 and the previous quarter was driven by an additional draw of \$2 million against the Pender Term Loan, partially offset by repayments against the Pender Term Loan and operating leases in the current quarter. At September 30, 2025, we had \$47.2 million outstanding on our Power Term Loan, \$32.7 million outstanding on the Pender Term Loan, and \$2.7 million in leases.

The ratio of current assets to current liabilities was 1.1:1 at September 30, 2025, compared to 1.4:1 at June 30, 2025, and 1.5:1 at September 30, 2024. The change from the prior quarter primarily relates to an increase in current liabilities, including an increase of \$3.3 million in trade payables, and an increase of \$2.4 million to the current portion of our long-term debt. Current assets decreased modestly as decreases in cash, prepaids, and inventories were offset by an increase in trade receivables. The change year-over-year in the third quarter primarily relates to an increase in current liabilities, with trade payables increasing by \$5.1 million, mainly due to higher softwood lumber duties, current debt increasing by \$3.5 million, and current assets declining as lumber prices and shipments fell throughout the quarter.

As at September 30, 2025, \$89.9 million of our consolidated property, plant and equipment was attributable to our power operations, compared to \$91.9 million at March 31, 2025, and \$93.8 million at September 30, 2024. The decrease from the prior quarter is attributed to amortization of our capitalized assets exceeding

additions over the quarter. The previous quarter had the capitalized portion of the annual maintenance shutdown, and the decrease from same quarter in the previous year primarily relates to amortization expense exceeding additions to property, plant, and equipment.

We use the net debt to total capitalization ratio to measure our relative debt position and as an indicator of the relative strength and flexibility of our balance sheet. Net debt is calculated as interest-bearing debt less cash. Total capitalization is calculated as the sum of net debt and equity. Net debt at September 30, 2025, increased by \$2.4 million to \$78.4 million from \$76.0 million at June 30, 2025 due to an additional draw of \$2 million on the Pender Term Loan combined with a \$1.3 million decrease in cash, partially offset by scheduled repayments on our term loans in the current quarter. The net debt to capitalization ratio was approximately 56% at September 30, 2025, 49% at June 30, 2025, and 41% at September 30, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

(unaudited, in millions of dollars)

	Q3 2025	Q2 2025	YTD 2025	Q3 2024	YTD 2024
Cash generated from (used in)					
Operating activities	0.3	6.8	0.5	(11.1)	(8.9)
Investing activities	(0.2)	(3.2)	(2.7)	(0.8)	(4.1)
Financing activities	(1.4)	(4.8)	0.3	3.3	11.2
Increase (decrease) in cash	(1.3)	(1.2)	(1.9)	(8.6)	(1.8)

Operating Activities

We operate in a cyclical industry. Working capital levels fluctuate throughout the year and are impacted by a variety of factors, including changes in sales volume and prices, shipment patterns, operating rates, seasonality and timing of receivables and payment of payables and expenses. Our fibre inventories exhibit seasonal swings as we increase log inventories during the fall and winter months to help maintain adequate supply of fibre to our Mackenzie Mill during the shoulder seasons. Factors such as disruption of transportation services by third party providers, variability in export shipments and operating rates can impact the level of lumber inventories. We believe our practices with respect to working capital conform to common business practices in our industry.

Operating activities after changes in working capital resulted in net cash generation of \$0.3 million in the third quarter of 2025, compared to net cash generation of \$6.8 million in the second quarter of 2025 and net cash consumption of \$11.1 million in the third quarter of 2024. The decrease in operating cash flows in the third quarter of 2025 compared to the previous quarter is largely related to a modest decline of inventory whereas the previous quarter had a depletion of the annual seasonal inventory build in from the first quarter and a larger decrease in trade and other receivables, primarily from pulp log receipts. In comparison to the same quarter a year ago, the improvement in cash consumed in operating activities is related to a build of inventory in the previous year compared to the draw down in the current quarter.

Investing Activities

Investing activities utilized cash of \$0.2 million in the third quarter of 2025, utilized cash of \$3.2 million in the second quarter of 2025 and utilized cash of \$0.8 million in the third quarter of 2024. The difference between this quarter and the second quarter of 2025 was due to capital expenditures relating to annual maintenance on our Power Plant in the previous quarter. The year-over-year change was due to a slight decrease in capital expenditures year over year.

Financing Activities

Our financing activities utilized \$1.4 million in the third quarter of 2025, utilized \$4.8 million in the previous quarter and generated \$3.3 million in the third quarter of 2024. Our cash usage in the current quarter is related to principal and interest payments on the Pender Term Loan and the Power Term Loan, partially

offset by a \$2 million draw on the Pender Term Loan. The cash utilized from financing activities in the previous quarter primarily related to repayments of principal and payments of interest on the Pender Term Loan and the Power Term Loan. The cash generated in the third quarter of 2024 was primarily due to a \$2.5 million draw on the Pender Term Loan combined with an interest receivable booked on duty overpayments for the second through fifth administrative reviews.

Liquidity

Our principal sources of funds are cash on hand and cash flows from operations. As at September 30, 2025, we had drawn \$32.7 million against the Pender Term Loan, compared to \$31.5 million in the previous quarter, and \$22.5 million in the third quarter of 2024.

In January 2025, Conifex amended and restated the Pender 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. Conifex drew an additional \$3.5 million in the first quarter of 2025 (the "**Additional Advance**") which was scheduled for repayment on June 30, 2025.

Conifex did not repay the Additional Advance at such time but subsequently entered into a letter of undertaking with Pender, pursuant to which it agreed to repay \$500,000 of the Additional Advance in July, and \$150,000 each month thereafter until repaid in full.

In September 2025 following internal diligence procedures, Pender increased the aggregate principal amount available to Conifex to approximately \$35.0 million, subject to certain conditions. Thereafter, Pender advanced another \$2.0 million to Conifex which was scheduled for repayment on or before December 25, 2025. Subsequent to the quarter end, the repayment date was extended to January 26, 2026. See *Subsequent Events – Pender Term Loan* for additional details.

Our principal uses of cash consist of operating expenditures, capital expenditures, interest payments, and principal payments on our debt.

At September 30, 2025, we had available liquidity of \$1.7 million, comprised of unrestricted cash. This is a decrease from our available liquidity of \$3.0 million as at June 30, 2025 and a decrease from our available liquidity of \$2.4 million as at September 30, 2024. The change in liquidity in the third quarter of 2025 compared to the second quarter of 2025 and the third quarter of 2024 was primarily due to the imposition of materially higher softwood lumber duty rates in the current quarter.

Like other Canadian lumber producers, we were required to begin depositing cash on account of softwood lumber duties imposed by the US government in April 2017. Cumulative duties of US\$44.1 million paid by us, net of certain prior sales of such deposits, since the inception of the current softwood lumber trade dispute remain held in trust by the US pending administrative reviews and the conclusion of all appeals of US decisions. We expect future cash flows could be adversely impacted by the CV and AD duty deposits to the extent additional costs on US destined shipments are not mitigated by higher lumber prices.

Conifex recognizes there is material uncertainty that may cast significant doubt on its ability to continue as a going concern but has concluded it is appropriate to prepare the 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, Conifex'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. Conifex 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.

Conifex is working collaboratively with its lenders to provide additional accommodations under its existing facilities, including amending payment terms and amortization periods. In September 2025, Pender agreed to increase the aggregate principal amount available under the Pender Term Loan to approximately \$35 million, subject to certain conditions. Conifex continues to work on additional amendments that would allow it to comply with its obligations under the Power Term Loan. There can be no assurance that any such amendments will be agreed to on terms acceptable to Conifex or at all. If Conifex is unsuccessful in negotiating such amendments or is unable to obtain a permanent or temporary waiver in lieu thereof, the lenders thereunder may seek remedies for any uncured defaults by Conifex of its contractual obligations under the Power Term Loan.

Conifex 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, Conifex believes that the program is designed to help companies like Conifex fund their operational cash flow and to support continuity of operations. Conifex may also explore the sale of certain non-core assets to provide additional liquidity.

Management has implemented cost saving measures and is deferring non-essential capital expenditures and will continue to evaluate the implementation of such measures on an ongoing basis. Although we believe that the steps we have taken, and that we will continue to take, will result in sufficient liquidity, there can be no assurance that we will be successful or that market conditions will not work to offset our actions. In the near term, we may reevaluate the current scale of our operations at our Mackenzie Mill in response to liquidity challenges in order to increase our prospects of maintaining sufficient liquidity to sustain a two-shift operation in the event that lumber prices normalize in the year ahead.

Conifex'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 Conifex's products and/or increases in productivity resulting in higher volumes produced and lower costs, none of which can be assured. The 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 Conifex be unable to continue as a going concern, which could be material.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as at September 30, 2025, were comprised of standby letters of credit totalling \$3.0 million posted by our subsidiary Conifex Power. The standby letters of credit are issued to BC Hydro in connection with the EPA and the LDA in the event of failure to remit amounts owing to BC Hydro arising from default or termination of the agreements. The standby letters of credit are secured by customary performance bonds.

Transactions Between Related Parties

Other than transactions in the normal course of business with key management personnel, we had no transactions between related parties in the third quarter of 2025 or in the comparative quarters.

SELECTED QUARTERLY FINANCIAL INFORMATION

Quarterly Earnings Summary

(in millions of dollars, except where otherwise noted)	2025 Q3	Q2	Q1	2024 Q4	Q3	Q2	2023 Q1	Q4
Revenue	38.2	33.9	44.6	31.0	25.2	31.8	40.8	35.3
Operating income (loss)	(19.5)	(4.5)	2.3	(3.0)	(6.1)	(9.7)	(7.1)	(6.6)
Net income (loss) from continuing operations	(16.6)	(8.3)	0.6	(7.8)	(3.8)	(9.7)	(4.5)	(5.3)
Net income (loss) – total operations	(16.6)	(8.3)	0.6	(7.8)	(3.8)	(9.7)	(4.5)	(5.3)
Net income (loss) per share – basic	(0.41)	(0.20)	0.01	(0.19)	(0.09)	(0.24)	(0.11)	(0.14)
Net income (loss) per share – diluted	(0.37)	(0.18)	0.01	(0.18)	(0.09)	(0.22)	(0.11)	(0.14)
EBITDA from continuing operations ⁽¹⁾	(16.6)	(3.2)	4.9	(2.1)	(3.9)	(7.1)	(0.5)	(3.5)
Shares outstanding – weighted average (in millions)	40.7	40.7	40.7	40.6	40.6	40.4	40.4	40.4
Diluted Shares (in millions)	45.1	45.1	45.0	44.2	44.2	44.2	40.4	40.4
Statistics (in millions, except rate, prices and GWh)								
Production – WSPF lumber	38.5	35.3	46.3	24.8	31.5	34.0	44.5	33.2
Shipments – WSPF lumber	40.1	38.9	38.0	24.8	29.3	38.5	44.5	39.1
Shipments – wholesale lumber	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1
Electricity production – GWh	47.6	29.6	47.6	54.2	25.9	38.0	56.0	43.5
Average exchange rate – \$/US\$ ⁽²⁾	0.726	0.723	0.697	0.730	0.733	0.731	0.741	0.734
Average WSPF 2x4 #2 & Btr lumber price (US\$) ⁽³⁾	\$477	\$471	\$492	\$445	\$367	\$386	\$446	\$402
Average WSPF 2x4 #2 & Btr lumber price (\$) ⁽⁴⁾	\$657	\$651	\$706	\$609	\$500	\$528	\$601	\$547
Reconciliation of EBITDA to net income (loss)								
Net income (loss) from continuing operations	(16.6)	(8.3)	0.6	(7.8)	(3.8)	(9.7)	(4.5)	(5.3)
Add: Finance costs	4.4	2.4	2.3	1.9	1.8	2.8	1.3	1.3
Amortization	3.1	1.9	2.8	3.1	2.4	2.5	3.2	3.0
Income tax expense (recovery)	(7.5)	0.8	(0.7)	0.6	(4.3)	(2.7)	(0.5)	(2.5)
EBITDA from continuing operations ⁽¹⁾	(16.6)	(3.2)	4.9	(2.1)	(3.9)	(7.1)	(0.5)	(3.5)

(1) Conifex's EBITDA calculation represents earnings before finance costs, taxes, and depreciation and amortization.

(2) Bank of Canada, www.bankofcanada.ca.

(3) Random Lengths Publications Inc. (Western Spruce/Pine/Fir, per thousand board feet).

(4) Average WSPF 2x4 #2 & Btr lumber prices (US\$) divided by average exchange rate.

Our quarterly financial results are impacted by a variety of market related factors, including fluctuations in lumber prices and prices of certain commodities related to by-product revenue and manufacturing inputs, changes in the softwood lumber duty deposits rates on shipments to the US, stumpage rates and foreign exchange rates. Other micro-level factors that influence quarterly financial trends include operating rates, shipment volumes, raw material and manufacturing costs and transactions of a non-recurring nature. We rely primarily on third parties for transportation of our products as well as delivery of raw materials, and any significant or prolonged disruption of services provided by third party carriers may adversely impact our operations, cost structure or shipment volumes.

Quarterly trends are also impacted by the seasonal nature of activities such as logging operations and construction and remodelling activity. Our fibre inventories exhibit seasonal swings as we increase log inventories during the fall and winter months to help maintain adequate supply of fibre to our Mackenzie Mill during the shoulder seasons when logging operations are generally largely curtailed due to unstable road and ground conditions. Operating rates are typically lower, and unit manufacturing costs higher, during the fourth quarter of each year due to planned curtailments related to seasonal holidays.

The application of a "time of delivery factor" to the fixed price provided under the EPA generally results in a seasonal effect and considerable variability in quarterly revenues from electricity deliveries, with the lowest revenues generated in the second quarter and the highest in the first and fourth quarters of each year. Quarterly electricity revenues can vary considerably between the strongest and weakest quarters. As a major portion of electricity production costs, as well as interest charges, are fixed in nature, quarterly bioenergy operating results reflect the variability in revenues.

OUTLOOK

North American lumber markets are anticipated to experience continued demand and lumber price volatility and uncertainty throughout the remainder of 2025. Duty deposit rate increases, and the imposition of additional tariffs represent significant challenges to operators. We will continue to monitor market conditions and other economic factors and may adjust our operations as we deem necessary considering such conditions and factors.

CRITICAL ACCOUNTING ESTIMATES

We did not make any significant changes to our critical accounting estimates during the quarter ended September 30, 2025. Our critical accounting estimates are described in our MD&A for the year ended December 31, 2024, filed on SEDAR+ at www.sedarplus.ca.

RISKS AND UNCERTAINTIES

A comprehensive discussion of risk factors impacting our business, assets and operations is included in our 2024 annual information form dated March 12, 2025, and our 2024 annual MD&A dated March 12, 2025, and other filings with the Canadian regulatory authorities available on SEDAR+ at www.sedarplus.ca.

OUTSTANDING SECURITIES

As at September 30, 2025 we had 40,767,710 common shares, 4,320,000 warrants and 3,532,679 long-term incentive plan awards outstanding.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2025, there were no changes that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ADDITIONAL INFORMATION

Additional information about our company, including our annual information form dated March 12, 2025, is available on SEDAR+ at www.sedarplus.ca.

SUBSEQUENT EVENTS

Pender Term Loan

In October 2025, Pender increased the aggregate principal amount available to Conifex under the Pender Term Loan by \$1.0 million, which is scheduled for repayment on or before January 26, 2026. Following the increase, the aggregate principal amount available under the Pender Term Loan is approximately \$36.0 million.

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.