



**CONIFEX**

**CONIFEX TIMBER INC.**

**ANNUAL INFORMATION FORM**

For the year ended December 31, 2025

March 31, 2026

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## INTRODUCTION

All dollar amounts in this annual information form (this "**Annual Information Form**") are in Canadian dollars, unless otherwise indicated. A reference to "we", "our", "us", the "Company" or "Conifex" in this document is to the consolidated operations of Conifex Timber Inc. and its subsidiaries, unless the context otherwise requires. Our reporting currency is the Canadian dollar. Some figures and percentages may not total exactly due to rounding. Unless otherwise expressly stated or the context otherwise requires, the information in this Annual Information Form is given as of December 31, 2025.

We have obtained certain information contained in this Annual Information Form concerning the industries in which we operate from publicly available information from third party sources. We have not verified the accuracy or completeness of any information contained in such publicly available information. In addition, we have not determined if any such third party has omitted to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information became publicly available or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements and forward-looking information (collectively, the "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements are presented to provide guidance to the reader, but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or that state that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or be achieved, and the negative forms thereof. Forward-looking statements involve significant risks and uncertainties and, by their nature, are based on our estimates and assumptions, which are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, and accordingly should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such results, level of activity, performance or achievements will or may be achieved. These forward-looking statements reflect our current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form.

The forward-looking statements in this Annual Information Form include, but are not limited to, 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; reclassification of our long-term debt; 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 belief that the mountain pine beetle and spruce beetle infestations have largely run their course; our ability to supply our manufacturing operations with wood fibre and our expected cost of wood fibre; changes in stumpage fees and the uncertainty regarding future timber availability and costs resulting therefrom; our potential to modernize and expand our sawmill complex; the realization of expected benefits of completed, current and any contemplated capital projects and agreements, and the expected timing and budgets for such projects; the status and outcome of any ongoing litigation; the development of a longer-term capital plan and the expected benefits therefrom; future capital expenditures; continued positive relations with Indigenous groups; demand and prices for our products; our ability to develop new revenue streams; 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 expectation for market volatility associated with, among other things, the softwood lumber dispute with the United States of America; 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; and our expectations for 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 ability to obtain financing on acceptable terms, or at all; our future debt levels; that we will complete our projects in the expected timeframes and as budgeted; that

capital expenditure levels will be consistent with those estimated by our management; that we will effectively market our products; that transportation services by third party providers will continue uninterrupted; our ability to ship our products in a timely manner; our ability to obtain and maintain required governmental and community approvals; the impact of changing government regulations and shifting political climates; the impact of environmental factors; that current demand for lumber will continue to be in balance with supply; 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; 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.

Risk factors that could cause actual results to differ materially from the forward-looking information in this Annual Information Form are described herein under the section "*Risk Factors*".

Given these and other known and unknown risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Readers are cautioned that although the forward-looking statements contained in this Annual Information Form are based upon what we believe to be reasonable assumptions at the time at which they were made, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this Annual Information Form and we disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. All forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Readers should refer to our filings under our SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca) for further information about the factors affecting forward-looking statements and management's assumptions and analysis thereof.

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## DESCRIPTION OF OUR BUSINESS

### 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 through our sawmill located in Mackenzie, British Columbia. Our bioenergy power generation plant is located adjacent to our Mackenzie sawmill.

We operate a two-line sawmill in Mackenzie, British Columbia. 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 ("MW") bioenergy power generation plant in Mackenzie, British Columbia, 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 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.

### Corporate Strategy

Our long-term strategy is to build Canada's premier, next generation forestry company that is a world leader in responsibly maximizing fibre value.

Our near and mid-term business strategies seek to capitalize on our existing forestry assets to build a margin-focused lumber business to compete successfully with the best mills in North America. To this end, our strategy involves:

- operating a safe, efficient and reliable lumber converting facility;
- maintaining and further expanding access to supplies of high-quality sawlogs at competitive prices;
- investing in targeted, high-return capital projects to expand production volumes, enhance mill reliability, improve lumber grade and quality and lower cash conversion costs;
- producing and selling high-value softwood lumber in demand by North American and offshore markets;
- establishing superior marketing and logistics capabilities;
- optimizing revenues from the sale or utilization of by-products and residuals from our logging and sawmilling activities;
- producing renewable energy for commercial sale;
- pursuing strategic opportunities to develop new revenue streams around our core lumber and bioenergy businesses; and
- implementing a sustainability strategy to assist in climate change mitigation, biodiversity conservation, community development and reconciliation with Indigenous peoples.

We seek to manage our business with a focus on "EBITDA" (which we define as earnings before finance costs, taxes, depreciation and amortization), and responsibly maximizing the value of our fibre resources from the initial planning of our logging operations and log purchases to the production, marketing and sale of our lumber products and residuals.

We continuously look at ways to add value to our existing assets, which we believe provide a strong foundation for the entry into complementary business activities in which we have operating knowledge.

## **Corporate Structure**

We were incorporated under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the "**CBCA**") on May 17, 2007. We changed our name to "Conifex Timber Inc." on June 3, 2010 (our previous name was "West Fourth Capital Inc."). Our head office address is 980 - 700 West Georgia Street, Vancouver, British Columbia V7Y 1B6, and our registered and records office address is 1021 West Hastings Street, Suite 2200, Vancouver, British Columbia V6E 0C3.

Our significant direct and indirect wholly-owned subsidiaries, each of which is organized under the laws of the Province of British Columbia, are as follows: Conifex Mackenzie Forest Products Inc. ("**Conifex Mackenzie**"), Conifex Fibre Marketing Inc., Conifex Power Inc. and Conifex Power Limited Partnership ("**Conifex Power LP**").

## **Three Year History**

The following summarizes certain material developments of our business over the past three fiscal years.

### ***Softwood Lumber Guarantee Program Term Loan***

Subsequent to year end, in March 2026, Conifex's wholly-owned subsidiary Conifex Mackenzie entered into a \$19 million secured term loan with the Business Development Bank of Canada ("**BDC**") under the Softwood Lumber Guarantee Program (the "**BDC Loan**"). The BDC Loan has a maturity date of July 15, 2033, bears interest at BDC's floating base rate minus a variance of 0.60% per year and is secured by Conifex's lumber business assets. The BDC Loan allows for interest-only payments until August 2028. A portion of the BDC Loan was used to repay certain bridge advances under our secured term loan (the "**Pender Term Loan**") with PenderFund Capital Management Ltd. ("**Pender**"). The balance of the BDC Loan is available for working capital and general corporate purposes.

The BDC Loan is intended to support liquidity and ongoing operations amid continued market volatility in the North American lumber sector. The BDC Loan enhances Conifex's financial flexibility and provides additional runway as we continue to navigate challenging lumber market conditions, including elevated softwood lumber duties and the Section 232 Tariff (as defined below).

In connection with the BDC Loan, Conifex, together with certain of its wholly-owned subsidiaries, BDC, and Pender, entered into a priority agreement pursuant to which, among other things, Pender agreed that for a period of twelve months it would not, without BDC's prior written consent, cancel or restrict the availability of the Pender Term Loan or accelerate or take any enforcement measures with respect to any amounts owing to Pender, except in the case of certain material defaults.

### ***Pender Credit Agreement***

In June 2024, we announced we had completed the Pender Term Loan, which was a \$25 million secured term loan with Pender, an independent investment firm located in Vancouver, British Columbia. A portion of the Pender Term Loan was utilized to repay and retire our prior secured revolving credit facility (the "**WF Facility**") with Wells Fargo Capital Finance Corporation Canada. The balance was used for working capital and general corporate purposes.

In January 2025, we amended 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. We drew an additional \$3.5 million in the first quarter of 2025 (the "**First Advance**") to fund our log inventory build up prior to spring breakup, which was due at the end of the second quarter. Subsequent to the end of the second quarter, we entered into a letter of undertaking with Pender pursuant to which we agreed to repay \$500,000 of the First Advance in early July, and \$150,000 each month thereafter until the First Advance was repaid in full.

In September 2025, we drew an additional \$4 million, and in October 2025, we drew an additional \$1 million (collectively, the "**Second Advance**"), which we have agreed to repay on the later of January 31, 2027 and twelve months after funding of the BDC Loan.

In December 2025, we drew an additional \$3 million (the "**Third Advance**"), which was due in the first quarter of 2026.

Subsequent to year end, in February 2026, Pender advanced an additional \$5 million (the "**Fourth Advance**"), to support working capital requirements and fund the resumption of two-shift operations at the Mackenzie Mill, which was due in the first quarter of 2026.

Subsequent to year end, in March 2026, the Third Advance and the Fourth Advance were repaid following Conifex's completion of the BDC Loan. The total aggregate principal amount outstanding under the Pender Term Loan as at the date hereof is approximately \$34.8 million.

The loan continues to have a term of five years from original issuance and is substantially on the same terms, including the same annual interest rate, provided that the First Advance and the Second Advance are repayable as described above.

As partial consideration for the loan, Pender has received a total of 4,320,000 warrants with each warrant being exercisable into one common share for a period of five years from the date of issuance, being January 17, 2025, on payment of \$0.50 per warrant.

Pender has the right to appoint one director to the board of directors of Conifex on customary terms while the loan remains outstanding.

### ***Power Term Loan***

Conifex's wholly-owned subsidiary Conifex Power LP is a party to a credit agreement with Fiera Infrastructure Private Debt Fund LP *et al.* dated as of October 30, 2018 (the "**Power Term Loan**") pursuant to which Conifex Power LP obtained a \$70 million secured term loan with a syndicate of private lenders for our power operations. The Power Term Loan has a 15-year term and is secured by substantially all of our power assets and is non-recourse to our other operations. The Power Term Loan is expected to be fully amortized over its 15-year term.

Following an amendment to the Power Term Loan in March 2024, the Power Term Loan bears interest at a stepped-up interest rate per annum commencing at 7.35%.

### ***Tariffs***

On March 1, 2025, the US administration issued an executive order instructing the Secretary of Commerce to launch an investigation under Section 232 of the *Trade Expansion Act of 1962* ("**Section 232**") to assess the national security implications of importing timber, lumber, and related products. The order mandates a report to the President of the United States within 270 days, detailing findings and proposing measures such as tariffs, export controls, quotas, or incentives to boost domestic production to address any identified threats.

From March 4 to March 6, 2025, a 25% tariff, amounting to \$57,000, was applied to our Canadian lumber exported to the US. On March 6, 2025, the US administration issued an executive order temporarily suspending these tariffs for Canadian goods compliant with the United States-Mexico-Canada Agreement ("**USMCA**"). On August 1, 2025, the 25% tariff was increased to 35%, however USMCA-compliant products, including lumber, continue to remain exempt from these additional tariffs.

Effective October 14, 2025, the US administration impose an additional tariff of 10% on all softwood lumber imported into the US under Section 232 (the "**Section 232 Tariff**"), resulting in a combined duty and tariff rate of 45.16%. As of December 31, 2025, we have paid \$340,000 in Section 232 Tariffs. The duration of the Section 232 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.

The imposition of tariffs by the US administration and an increase in anti-dumping ("**AD**") and countervailing ("**CV**") duty rates have resulted in heightened financial uncertainty for Canadian lumber producers. The potential implementation and duration of any additional US tariffs is unknown, and could have a material impact on our earnings and cash flows if imposed and pending the final tariff rate determined.

### ***Temporary Curtailment and Resumption of Operations***

In November 2025, Conifex announced a temporary curtailment of operations at its Mackenzie Mill for a planned four-week period commencing December 15, 2025. The curtailment was implemented in response to continued weakness in North American lumber markets, including a sharp decline in benchmark Western SPF prices driven by a slowdown in new residential construction, soft repair-and-remodel activity, elevated interest rates and the impact of significantly increased countervailing and anti-dumping duties and the Section 232 Tariff on Canadian softwood lumber shipped to the United States.

In early February 2026, Conifex resumed operations at the Mackenzie Mill on a two-shift configuration. The resumption of two-shift operations is expected to lower per-unit manufacturing costs and improve operating economics relative to single-shift operations. Following completion of the BDC Loan, Conifex is progressing toward normalized operations and currently anticipates sustaining two-shift operations in the second half of 2026, subject to fibre supply conditions.

### ***High Performance Computing ("HPC")***

In December 2022, the Lieutenant-Governor in Council for the Province of British Columbia ("**LGIC**") issued an order in council (the "**OIC**") directing the British Columbia Utilities Commission to, among other things, accept BC Hydro's request to suspend its obligation to supply service to certain new cryptocurrency mining projects in British Columbia for a period of 18 months (the "**Temporary Suspension**"), which OIC impacted two of our proposed HPC projects.

In April 2023, we filed a petition in the Supreme Court of British Columbia (the "**BCSC**") seeking judicial review of the OIC and an order quashing and setting aside the OIC as unauthorized or otherwise invalid, which was subsequently dismissed in February 2024. We filed an appeal of the BCSC's decision, which was dismissed by the British Columbia Court of Appeal (the "**BCCA**") in March 2025. We continue to believe that the moratorium to discriminate against a certain class of customers is unjustified and we continue to evaluate our legal position.

Concurrently with the filing of the petition, we filed a notice of civil claim against BC Hydro in the BCSC seeking an order requiring BC Hydro to supply service to our HPC projects, and in February 2025, we filed an amended notice of civil claim pursuant to which, among other things, we are seeking damages for breach of contract and BC Hydro's duty of good faith.

### ***Ratification of New Collective Labour Agreement***

The United Steel Workers Union (the "**USW**") represents our unionized employees. In September 2024, we signed a new five-year collective labour agreement with the USW for our Mackenzie mill employees. The collective labour agreement is retroactive to July 1, 2023 and expires on June 30, 2027.

Through the Council of Northern Interior Forest Employment Relations ("**Conifer**"), a trade organization which also represents other BC mills, we entered into discussions with the USW in respect of our power plant employees during the fourth quarter of 2024. Following interest arbitration, a new collective labour agreement was signed in June 2025, which is retroactive to July 1, 2023 and expires on June 30, 2027.

### ***Reduction in AAC***

In August 2024, the British Columbia Minister of Forests reduced the AAC of each of Conifex's forest licence A15385 and forest license A93631, in which Conifex owns a 50% interest, by 117,172 cubic metres and 55,576 cubic metres, respectively to align harvest levels with the current AAC of the Mackenzie TSA. The new AACs for the licenses were 515,328 cubic metres and 244,424 cubic metres, respectively, or a total available sawlog supply of 759,752 cubic metres for the two licences annually.

In January 2025, the Ministry of Forests advised Conifex that, following the establishment of the Klinseza/Twin Sisters Provincial Park on June 20, 2024 and the corresponding reduction to the Mackenzie TSA's AAC from 2,390,000 cubic metres to 2,321,476 cubic metres, the AAC of forest licence A15385 would be reduced by 13,569

cubic metres to 501,759 cubic metres, and forest licence A93631 would be reduced by 6,436 cubic metres to 237,988 cubic metres. The reductions came into effect in June 2025.

### ***Issuer Bids***

In September 2022, we commenced a normal course issuer bid for our common shares. We purchased 480,020 common shares under the bid prior to its termination on August 31, 2023 for an aggregate purchase price of approximately \$0.84 million. We paid an average price of \$1.75 per common share under the bid.

### **Forest Resources**

Timber is a renewable resource and has the potential to yield a predictable and stable resource volume over an indefinite period of time. We believe that our forestry operations are conducted in an ecologically sound and environmentally sustainable fashion.

### ***Timber Tenures***

Under the *Forest Act*, RSBC 1996, c.157 (the "**Forest Act**") and the *Forest and Range Practices Act*, SBC 2002, c 69 (the "**FRPA**"), the Ministry of Forests regulates forestry operations on Crown lands and grants various forms of timber tenures to provide the private sector with secure access to forest resources. Among other duties, the Minister of Forests is responsible for encouraging a vigorous, efficient and world-competitive timber processing sector in the Province of British Columbia.

Crown land comprises approximately 95% of all lands in British Columbia. The majority of Crown timber tenures provide licence holders with medium to long-term harvesting rights. The Government of British Columbia (the "**BC government**") is responsible, within the applicable statutory framework, for setting the AAC, approving forest stewardship plans and cutting permits, determining stumpage charges and managing compliance and enforcement. The AAC is the maximum volume of timber available for harvesting from a specified area of land, usually expressed as cubic metres of timber annually.

Long-term harvesting rights are typically granted in the form of replaceable forest licences. The Ministry of Forests issues replaceable forest licences for a term of 15 years, and subject to satisfying certain performance criteria, must offer the licences for additional terms of 15 years. Compliance with applicable forest legislation and the prompt payment of dues, fees and stumpage charges form the basis of the performance criteria. Replaceable forest licences are volume-based, meaning that within a TSA there are no exclusive harvesting rights available to any licensee in any particular geographically defined operating area. Each licensee has the right to harvest, subject to approval of its forest stewardship plan, within the entire TSA.

Our Mackenzie forest licence has an AAC of 501,759 cubic metres. We also own 50% of a joint venture that holds a forest licence with an AAC of 237,988 cubic metres. For additional information on the reduction of AACs under our forest licences, see "*Description of our Business - Three Year History – Reduction in AAC*" above.

### ***Timber Supply Areas***

Our forestry and logging operations are located in the sparsely populated Mackenzie TSA in the northeast interior of British Columbia. Covering approximately 6.4 million hectares, the Mackenzie TSA is the fourth largest in British Columbia. The Williston Reservoir, located within the central portion of the Mackenzie TSA, is the largest freshwater body in British Columbia. The timber profile of our operating areas within the Mackenzie TSA is comprised primarily of spruce, lodgepole pine and balsam fir.

In May 2023, the Chief Forester determined that the AAC for the Mackenzie TSA will be 2.39 million cubic metres per year. Generally, new AAC determinations must take place every ten years. In August 2024, the British Columbia Minister of Forests prescribed an 18.4% reduction of AACs of replaceable forest licences to align forest levels with the current AAC.

In January 2025, the Ministry of Forests advised Conifex that, following the establishment of the Klinseza/Twin Sisters Provincial Park on June 20, 2024 the Mackenzie TSA's AAC would be reduced from 2,390,000 cubic

metres to 2,321,476 cubic metres. For additional information on the reduction of the Mackenzie TSA's AAC, see "*Description of our Business - Three Year History – Reduction in AAC*" above.

Since November 2021, coordination between First Nations and forest companies has resulted in approximately 2.4 million hectares of forests described as "old growth" being deferred or protected. The BC government has indicated that such deferrals will remain in place until discussions on long-term management of old growth values are concluded.

Old growth in the Mackenzie TSA is currently managed primarily through established old growth management areas ("**OGMAs**") and landscape-level biodiversity objectives. In the Mackenzie TSA, approximately 62,000 hectares of OGMAs have been identified and approximately 46,000 hectares of OGMAs have been removed from the timber harvesting land base. This removal has been incorporated into the recent AAC determination and represents an estimated 3–5% impact on the long-term harvest level. While ongoing provincial old-growth policy work and future forest landscape planning processes could introduce additional constraints, current old-growth management frameworks in the Mackenzie TSA do not impose incremental reductions to the AAC beyond those already captured through established OGMAs.

The BC government has recently adopted amendments to the Forest Act and the FRPA that may result in the reallocation of timber harvesting rights to First Nations and/or local communities or require the development of forest landscape plans in consultation with affected First Nations.

These actions could potentially impact both the area covered by our forest licences and the amount of timber that we are able to harvest from these licences.

### ***Fibre Supply and Requirements***

Our lumber manufacturing operations are dependent on the consistent supply of affordable sawlog fibre. Wood fibre is the single largest input cost and typically accounts for a majority of the cash cost of producing lumber. A number of factors affect fibre costs, including harvesting locations and delivery distances from forest to mill, weather conditions, competitive market pressures relating to harvesting and hauling contractors, stumpage fees, reforestation obligations and regional log market influences. Our forestry group is responsible for sourcing an adequate supply of suitable logs for our Mackenzie mill at an affordable cost. We approximate that our Mackenzie mill requires 711,000 cubic metres of sawlog fibre annually to sustain our operations.

A high degree of fibre self-sufficiency reduces our exposure to uncertainties in the open market for fibre, which in turn depends on the availability of quality sawlogs. We do not necessarily consume the maximum permitted volume of logs that may be harvested from our tenures annually and may adjust between tenure and purchased logs depending on a number of factors, including the availability and relative cost of tenure and purchase logs. Long-term management agreements with other tenure holders, including First Nations, and open market log purchases are available to us in addition to our tenured log supply. Open market log purchases for our Mackenzie mill come primarily from the following sources:

- BC Timber Sales ("**BCTS**") (Crown managed and auction-based);
- First Nations (various forms of Crown tenures issued to First Nations groups);
- community forests (area-based Crown tenures issued to qualifying communities);
- woodlots (area-based Crown tenures issued to qualifying individuals); and
- non-replaceable forest licences (bid-tendered or direct awarded to qualifying companies or First Nations groups).

Based on our anticipated 2026 lumber production levels, we believe our tenures are sufficient to supply substantially all of our anticipated log consumption at our Mackenzie mill, with any additional logs required expected to be sourced from open market log purchases.

Trends in the availability, quality and cost of log supply are the main drivers of competitiveness and materially impact operating results, cash flow generation, financial position and capital spending.

In recent years, the competitiveness ranking of the forest sector in the Mackenzie TSA has deteriorated. However, the most recent timber supply review confirmed that the pine beetle salvage harvest program is complete and licensees operating in the Mackenzie TSA will transition harvesting to higher quality fibre. The transition to a greener log diet has resulted in improved sawlog availability and timber quality, contributing to lower harvesting and manufacturing costs and supporting higher grade outturns and lumber selling price realizations. For additional information on our fibre supply, see "*Description of Our Business — Forest Resources — Forest Health*" and "*Description of our Business - Forest Policy and Regulation — AAC Determination*" below.

### ***Forest Management Strategy***

We are responsible for the management of forest resources under our tenures in accordance with the requirements of applicable laws. We manage the Crown timberlands on which we conduct harvesting operations on a sustainable harvest basis, which means that the volume of timber harvested over a rotation period (typically 70 – 100 years) is planned not to exceed the volume of incremental growth over the same period. We employ progressive forest management practices aimed at enhancing timber yields while protecting diverse forest values and maintaining healthy forest ecosystems. To provide independent verification of the sustainability of our forest management activities and compliance of our timber procurement systems with applicable regulations, we have achieved certification under the *Sustainable Forestry Initiative* (SFI®), an internationally recognized environmental management standard. Our commitment to sustainable forestry is implemented using our environmental management system ("EMS"), which we utilize to monitor our performance in meeting our sustainable forest management goals.

We carry out our forest management responsibilities through a team of forest professionals that oversee a wide range of activities, including resource planning, road and bridge building, harvesting, reforestation, forest protection and environmental certification. We use independent logging contractors to carry out harvesting and associated road and bridge building activities in our TSA, who are expected to meet all safety, environmental and forest management standards that we establish. We regularly monitor our contractors' performance for adherence to our standards and to applicable legislation.

We reforest all Crown lands that we harvest in accordance with the standards required under the FRPA and use site-specific silviculture techniques to help ensure prompt forest regeneration after harvesting. The regeneration commitment requires established stands of suitable tree species to reach a "free-growing" state unimpeded by competition from other plants, a process that typically takes 7-15 years. We are discharged of any further obligations for the area harvested once the Crown accepts our professional forester's free-growing "declaration".

The forests on our timber tenures are at risk of damage from natural and human-caused forest fires. The BC Wildfire Service provides fire suppression services for which we are assessed an annual fee based on our AAC. We prepare an annual emergency preparedness and response plan and maintain centralized fire equipment caches for each applicable forestry and sawmilling operation. Our forestry staff and logging contractors are trained and equipped to suppress wildfires and assist BC Wildfire Service personnel as necessary.

For further details on our environmental management system and certification related to forest management, see "*Description of Our Business — Environment, Health and Safety — Environmental Management*" below.

### ***Forest Health***

The dominant factors influencing forest management and harvest activities in the Mackenzie TSA for more than a decade have been the mountain pine beetle ("MPB") epidemic and the spruce beetle outbreak. The MPB infestation resulted in the mortality of a significant portion of the mature lodgepole pine trees in the Mackenzie TSA. The salvage of dead pine stands resulted in diminished grade and volume of lumber recoverable from MPB-killed logs, increasing unit production costs for both harvesting and sawmilling. The BC government previously increased the AAC on dead pine stands and limited the harvest of non-pine species until the salvage of dead pine stands came to a conclusion, with the intention that the AAC would subsequently be reduced to reflect lower mature inventories as dead pine stands were harvested or when they were no longer economic to harvest.

The BC government conducts annual aerial overview surveys to collect current forest health information. The most recently published results for 2024 indicate a decrease in the infested area compared to the area reported in 2023. An aerial overview survey was also completed in 2025, however, the BC government has not released results as of the date hereof.

The most recent AAC redetermination for the Mackenzie TSA is entirely based on "green" inventory, and licensees will no longer be mandated to source any of their harvest from uneconomic salvage stands.

## **Forest Policy and Regulation**

### ***AAC Determination***

The Chief Forester must, subject to certain exceptions, determine the AAC for each TSA in British Columbia every 10 years. The AAC is the maximum amount of timber that the Chief Forester determines is reasonable to harvest from a TSA. The Chief Forester determines the AAC for each TSA after considering various factors, including forest composition, expected rate of growth and length of time to re-establish a forest after harvesting, silviculture treatments, timber utilization standards, constraints on the extraction of timber, economic and social objectives of government and forest health. Tenure holders may vary harvest levels from year to year provided that the cumulative harvest within a five-year cut control period does not exceed the cumulative AAC for the period by more than 10%.

In May 2023, the Chief Forester's *Rationale for Allowable Annual Cut (AAC) Determination for the Mackenzie TSA* was released. Effective from the release date, the new AAC for the Mackenzie TSA was set at 2.39 million cubic metres per year. Effective June 2025, the AAC for the Mackenzie TSA was further reduced to 2,321,476 cubic metres per year following the establishment of the Klinseza/Twin Sisters Provincial Park.

The current AAC for the Mackenzie TSA is lower than prior AAC determinations. However, actual harvest levels in the Mackenzie TSA over the past 20 years have averaged approximately 2.5 million cubic metres per year, which is broadly consistent with the current AAC. Under the most recent determination, the previous salvage partition has been removed, and harvest is now directed toward a predominantly green timber profile. The Chief Forester has also established a geographic partition limiting harvest in the southwestern portion of the Mackenzie TSA to a maximum of 1.17 million cubic metres annually. Management believes that the transition to a green timber profile and the revised partition framework will help to support improved fibre quality and greater operational stability for the Company's lumber manufacturing and power generation operations.

The harvest level determination also implies sawlog surpluses are likely to persist in Mackenzie relative to current local milling capacity and sawlog demand. This dynamic has become more prevalent across BC interior TSAs in recent years, as mill curtailments and closures have generated sawlog surpluses in regions that were previously undersupplied. Based on our anticipated 2026 lumber production levels, we believe our tenures are sufficient to supply substantially all our anticipated log consumption at our Mackenzie mill, with any additional logs required expected to be sourced from open market log purchases. As a result, we have the potential to grow our traditional forestry business in Mackenzie by modernizing and expanding our sawmill complex.

### ***Stumpage Charges***

Substantially all of our log requirements for our Mackenzie mill are harvested from Crown lands in British Columbia. The BC government charges stumpage fees to companies that harvest timber from Crown land. Stumpage fees for a specific harvesting area are based on a competitive market pricing system ("MPS") that has been established for the interior region of British Columbia. The stumpage system is complex and the subject of discussion involving, among other things, lumber trade agreements between Canada and the United States. The primary variable in the MPS is log pricing established through an open market auction for standing timber administered by BC Timber Sales, a Crown agency. In addition to bid prices, there are a number of operational and administrative factors that influence individual stumpage rates for each cutting permit.

In addition to MPS data collected to determine Crown stumpage charges, the BC government compiles industry cost data annually to be used to achieve consistent and fair stumpage charges. The industry cost data reflects other tenure obligations undertaken by licensees that are not captured in the MPS system, including forest planning and administration, roads, silviculture and transportation. To offset these obligations, the BC government provides licensees with a tenure obligation and/or specified operations adjustment to stumpage charges.

As of July 1, 2024, stumpage rates are also adjusted monthly to reflect changes in lumber prices and inflation in input costs. The BC government is scheduled to make its next annual update to the Interior Appraisal Manual in

July 2026. Further changes to the market driven stumpage system and resulting stumpage rates as applied to the interior region of British Columbia could have a material impact on our business.

For additional information on stumpage, see "*Risk Factors — Stumpage Fees*".

## **Lumber Operations**

Our primary business activities within our lumber operations include timber harvesting, reforestation, forest management and the manufacture, sale and distribution of dimension lumber.

Our Mackenzie mill manufactures kiln-dried lumber primarily for the construction markets in the United States, Canada and Japan. Our Mackenzie mill is located in Mackenzie, British Columbia, a community approximately 190 kilometres north of Prince George, British Columbia. Our Mackenzie mill has approximately 240 million board feet of annual lumber capacity on a two-shift basis, as well as timberland operations that have 620,753 cubic metres of AAC under forest licences from Crown-owned land.

In 2025, our Mackenzie mill produced approximately 141.1 million board feet of finished lumber.

### ***Products from our Mackenzie Mill***

#### *Lumber*

Our Mackenzie mill principally manufactures finished softwood lumber from spruce, pine and fir logs. The lumber produced by our Mackenzie mill ranges in size from two by four inches to two by twelve inches and in lengths from six feet to sixteen feet, and is sold in a variety of grades ranging from lower grades, such as economy and #3, to higher grades, such as #2 & Better, Select or Premium and J Grade. In the fourth quarter of 2025, we completed a capital upgrade to our Vertical Double Arbour Gang that expanded our dimension capability to include two by twelve lumber. This addition allows us to utilize larger diameter logs that are increasingly available in the region following curtailments and closures at other facilities, and to produce a dimension that has historically commanded a price premium relative to narrower sizes. Two by twelve lumber also benefits from strong demand in the Canadian and Japanese markets, incrementally reducing our exposure to U.S. trade duties and tariffs.

#### *By-Products*

The process of manufacturing lumber results in approximately 50% of each sawlog producing lumber and 50% ending up as by-products or residuals, such as wood chips, trim blocks, sawdust, shavings and bark. By-products are typically sold to a wide variety of customers, such as pulp and paper producers and manufacturers of secondary products. Such customers are typically located within close geographical range to our Mackenzie mill to minimize freight costs, which can comprise a substantial component of the total delivered costs of such lower value products. We sell wood chips produced at our Mackenzie mill to third parties pursuant to residual chip supply agreements. Our power plant utilizes the main portion of sawdust, shavings and bark from our Mackenzie mill to produce renewable energy.

## Marketing, Sales and Distribution

The main markets for our lumber products are the United States, Canada and Japan. The following table shows the percentage of our net lumber revenue earned from and volume shipped to each geographic market (Conifex produced lumber only):

<b>Lumber Sales by Geographic Market</b> (unaudited)	<b>Year Ended December 31, 2025</b>	<b>Year Ended December 31, 2024</b>
	(%)	(%)
<b>By Revenue (net of freight)</b>		
United States .....	78	85
Canada.....	17	11
Japan.....	5	4
	<b>100</b>	<b>100</b>

  

<b>Lumber Sales by Geographic Market</b> (unaudited)	<b>Year Ended December 31, 2025</b>	<b>Year Ended December 31, 2024</b>
	(%)	(%)
<b>By Shipment Volume</b>		
United States .....	71	80
Canada.....	24	16
Japan.....	5	4
	<b>100</b>	<b>100</b>

We foster a diversified customer base in each of our key markets. Our customers include national and regional distributors, secondary manufacturers, retail yards and home centres, which typically purchase lumber in truck, rail or container load quantities. The residential construction, repair and remodeling industry consumes the majority of softwood lumber in North America and Japan. Demand for softwood lumber is cyclical and influenced by transportation costs, exchange rates, government tariffs and competitiveness of substitute products, as well as by factors that affect consumer confidence and drive demand for residential construction, such as the level of interest rates, disposable income, unemployment rates, perceived job security and other indicators of general economic conditions. Demand can vary from region to region within a country, and seasonal factors that determine optimal building conditions can also affect demand.

We ship the majority of lumber from our Mackenzie mill destined for the United States and Canada by rail, with the balance shipped by truck, whereas we ship lumber for customers in Japan in containers aboard ocean-going vessels.

The following table sets forth our sales revenue by product at our Mackenzie mill and wholesale lumber shipments for the year ended December 31, 2025 and the year ended December 31, 2024:

<b>Sales by Product</b>	<b>Year Ended December 31, 2025</b>	<b>Year Ended December 31, 2024</b>
	(in millions)	(in millions)
Lumber - Produced by Conifex .....	\$101.0	\$93.5
By-Product and Other.....	\$41.8	\$34.3
	<b>\$142.8</b>	<b>\$127.7</b>

We operate in a cyclical industry, and our quarterly trends are impacted by the seasonal nature of activities, such as logging, home construction and remodeling activities. Fibre inventories at our Mackenzie mill also exhibit seasonal swings as we increase log inventories during the fall and winter to help ensure an adequate supply of fibre during the spring when logging operations may be curtailed due to unstable road conditions and transition to waterborne log deliveries. Our operating rates are typically lower, and our manufacturing costs higher, toward the end of each year due to planned curtailments related to seasonal holidays.

## ***Competitive Conditions***

The markets for our lumber products are highly competitive on a global basis, and producers compete generally on price, quality and service. Factors influencing our competitive position include, among others, the availability, quality and cost of raw materials, including fibre, energy and labour, and the efficiency and productivity of our Mackenzie mill in relation to our competitors. Like others in the forest products industry, we compete in an international market subject to currency fluctuations and global business conditions. We also compete indirectly with firms that manufacture substitutes for solid wood products, including non-wood and engineered wood products.

We compete against many producers, a number of whom own and operate more mills than we do and have greater financial resources or lower production costs than us. We believe our competitive strengths include a sustainable, consistent, secure and high-quality timber base, positive relations with Indigenous groups and the communities within which we operate, low asset acquisition costs and a committed management team and board of directors (the "**Board**").

Our transition to a green log diet has allowed us to migrate to a lower position on the lumber industry cost curve.

## ***Capital Expenditures***

Recent capital improvement projects undertaken at our Mackenzie mill have been focused on improvements in finishing processes for drying lumber and automated lumber grading systems, projects to replace and upgrade aging equipment and projects related to safety, reliability and asset protection.

In the fourth quarter of 2025, we completed a capital upgrade to our Vertical Double Arbour Gang that expanded our dimension capability to include two by twelve lumber. This addition allows us to utilize larger diameter logs that are increasingly available in the region following curtailments and closures at other facilities, and to produce a dimension that has historically commanded a price premium relative to narrower sizes. Two by twelve lumber also benefits from strong demand in the Canadian and Japanese markets, incrementally reducing our exposure to U.S. trade duties and tariffs.

For our future potential capital expenditure plans, see "*Description of Our Business — Forest Policy and Regulation — AAC Determination*" above.

## ***Bioenergy Operations***

Our power plant consists of a 36 MW bioenergy power generation plant in Mackenzie, British Columbia. The primary feedstock for the power plant is sourced from a portion of the residuals produced at our lumber manufacturing operations. In-forest-biomass that was formerly considered waste from our log harvesting operations also provides a secondary source of clean biomass. The power plant utilizes a circulating fluidized bed combustion boiler, which is an efficient, advanced and purpose-built technology for converting up to 200,000 tonnes of sawmill and harvest residuals annually into renewable energy, sufficient to meet the energy needs of over 20,000 British Columbia residences. Furthermore, the efficient conversion of manufacturing residuals and in-forest-biomass to renewable electricity reduces carbon dioxide emissions that would otherwise be emitted by a less efficient waste disposal method.

The power plant can produce in excess of 230 GWh of electricity per year, providing a stable and diversified source of revenue as well as an assured market for a portion of the sawmill residuals produced by our Mackenzie mill. We have an EPA and related LDA with BC Hydro. Under the EPA, BC Hydro agreed to purchase from us approximately 200 GWh of electrical energy annually over a 20 year term for a fixed price. The application of a "time of delivery factor" to the fixed price has a seasonal effect on our quarterly revenues, with the lowest revenues from our bioenergy operations generally in the second quarter and the highest in the first and fourth quarters. Under the LDA, we must meet and supply the electricity requirements of our Mackenzie mill over the same 20 year term.

The power plant sold approximately 179.0 GWh hours of electricity in 2025 under the EPA with BC Hydro, which represented approximately 80% of our targeted operating rates.

## **Human Resources**

We are committed to maintaining our "social licence". We strive to provide stable employment to all of our employees. As at December 31, 2025, we had 262 employees, including 192 unionized employees. A total of 217 of our employees were employed in our lumber operations and 45 were employed in our bioenergy operations.

The USW represents our unionized employees. In September 2024, we signed a new five-year collective labour agreement with the USW for our Mackenzie mill employees. The collective agreement is retroactive to July 1, 2023, and expires on June 30, 2027.

We are a member of Conifer, a trade organization which represents forest products companies in the northern interior region of British Columbia in negotiations with the USW. Through Conifer, we entered into discussions with the USW in respect of our power plant employees during the fourth quarter of 2024. Following interest arbitration, a new collective labour agreement was signed in June 2025, which is retroactive to July 1, 2023 and expires on June 30, 2027.

Since our business strategies and philosophies may diverge from those common to other Conifer members, labour negotiations by this association may not always best meet our needs. We have the flexibility to continue to work with Conifer or to work independently on human resources matters.

## **Environment, Health and Safety**

### ***Health and Safety***

Providing a safe work environment for our employees has always been a core value for our Board and management team. We have developed and implemented a comprehensive safety management system to provide clear communication on safety requirements, processes and expectations, which includes a requirement that contractors provide us reasonable assurances that requisite safety requirements are met.

Our focus on safety and workplace hazard mitigation also includes continual reinforcement of workplace safety with all of our employees, participation in an industry task force committed to improving safety in the workplace and commitment of increased resources to enhance safety leadership and innovation and maintenance. In addition, we engage an external auditor every three years to conduct an audit of the safety programs at our Mackenzie mill as part of the Manufacturing Advisory Group audit process. Our power plant and fibre department each take part in the Certificate of Recognition program offered by WorkSafeBC.

Conifex was recertified by the British Columbia Forest Safety Council (the "BCFSC") as a "Safe Company" in January, 2026. We require our contractors to meet the standards we establish for our own operations. Prior to entering into any contracts for our logging operations, we further require that contractors register and achieve certification as a "Safe Company" with the BCFSC and to remain in good standing for the term of the agreement.

### ***Environmental Management***

Our operations are subject to a wide array of federal, provincial and municipal environmental legislation and the respective regulations thereunder. Our Environmental, Health and Safety Committee oversees company-wide efforts for compliance with such legislation. We develop and maintain internal programs, including incurring ongoing capital expenditures, to help ensure that our operations comply with applicable laws and standards and to address any instances of non-compliance. We are committed to the responsible stewardship of the environment throughout our operations.

We are committed to undertaking sustainable forestry practices. The goal of sustainable forest management is to ensure that we meet the needs of the present without compromising the ability of future generations to meet their needs. We practice a land stewardship ethic that integrates sound reforestation and harvesting techniques with due consideration for the conservation of soil, air and water quality, biological diversity, wildlife and aquatic habitat, recreation, visual aesthetics and the protection of cultural heritage sites and unique resources.

Our commitment to sustainable forestry is implemented using our EMS. The EMS incorporates internal and third party audits, activity monitoring and system reviews to evaluate our performance in meeting our sustainability

goals and to foster continual improvement. Our forestry operations and timber procurement activities are certified to SFI® standards. We also require our contractors to comply with our EMS and to conform to the requirements of our environmental certifications. We engage KPMG LLP, to annually audit our forest practices against the standards of the SFI®. The results of the audit are publicly available.

We strive to provide our customers and the consumers of our by-products with confidence that the raw materials used in our products originate from sustainably managed forests through our adherence to the requirements of the Program for the Endorsement of Forest Certification ("**PEFC**") Chain of Custody Standard. "Chain of Custody" is the process of tracking forest products from their place of origin through all stages of transfer and production to the final consumer as an end product. Our PEFC Chain of Custody certification covers the production of softwood lumber, sawmill residual chips and by-products produced at our Mackenzie mill to the point of sale.

### ***Environmental Compliance***

We believe our operations were in substantial compliance with all material environmental requirements in 2025.

In 2021, we launched a sustainability strategy and prepared a sustainability report (the "**Sustainability Report**"). Our Sustainability Report includes sustainability goals and targets and demonstrates progress we have made to date. More detailed information on our sustainability strategy and performance is provided in our Sustainability Report at <https://conifex.com/sustainability/>.

### **Indigenous Matters**

#### ***Indigenous Title***

The potential existence of Indigenous title or rights over substantial portions of British Columbia, including the areas of our timber tenures, has created uncertainty with respect to property rights and natural resource development in British Columbia. In 1997, the Supreme Court of Canada (the "**SCC**") determined that Indigenous peoples may possess rights in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with those rights. Such treaties cover very few areas of British Columbia.

In 2004, the SCC confirmed that, in certain circumstances, the Crown must consult with and, when appropriate, accommodate Indigenous groups by minimizing interference with their interests. In one case, the SCC found Indigenous title to be held by the Tsilhqot'in Nation in respect of an area that is about 0.2% of British Columbia (the "**Tsilhqot'in Decision**").

In 2025, the BCSC ruled that the Cowichan Nation had Indigenous title over 1,846 acres of land in Richmond, British Columbia, including submerged lands in the Fraser River, and Indigenous rights to fish for food on the Fraser River's south arm (the "**Cowichan Decision**"). The BCSC further held that the Cowichan Nation's Indigenous title burdens the subject lands such that the fee simple titles granted over such lands by applicable governmental bodies are defective and invalid and that the government breached its duty to consult when such grants were made. The BCSC ruled that Sections 23 and 25 of the *Land Title Act*, RSBC 1996, c. 250, which address indefeasibility of registered title, do not shield such fee simple interests.

While we do not operate in the areas involved in the Tsilhqot'in Decision or the Cowichan Decision, these rulings may lead other Indigenous groups in British Columbia to pursue Indigenous title in their traditional land-use areas. Although these decisions have created uncertainty, the Cowichan Decision is currently under appeal, and the SCC decision has not led to any fundamental changes in how we conduct our lumber and sawlog operations.

#### ***UNDRIP and DRIPA***

Additionally, the Canadian federal government and the BC government have made commitments to review their relationships with Indigenous groups, and both the Canadian federal government and the BC government have adopted the United Nations Declaration on the Rights of Indigenous Peoples ("**UNDRIP**"). The BC government also brought into force the *Declaration on the Rights of Indigenous Peoples Act*, SBC 2019, c 44 ("**DRIPA**") in November 2019.

In June 2021, the BC government released its Draft Action Plan relating to the implementation of DRIPA. The Draft Action Plan proposes a number of new measures, such as a new framework for resource revenue sharing and other fiscal mechanisms to support Indigenous peoples, and the negotiation of joint-decision making agreements and agreements in which consent from Indigenous governing bodies would be required before the BC government exercises a statutory decision-making power.

In 2025, the British Columbia Court of Appeal (the “**BCCA**”) held that DRIPA incorporates UNDRIP into the positive law of British Columbia with immediate legal effect, and affirms the interpretive lens through which British Columbia's laws must be viewed, and the minimum standards against which they should be measured (the “**Gitxaala Decision**”). The BCCA further held that section 3 of DRIPA requires the Crown to consult and cooperate with the province's Indigenous peoples in addressing inconsistencies between rights and standards in UNDRIP and the laws of British Columbia.

The BC government has since expressed that it intends to amend DRIPA.

Our voluntary forest certification standards include respect for Indigenous peoples' rights and traditional knowledge. This is specifically addressed in the SFI® 2022 Standards and Rules, which recognizes the principles outlined in UNDRIP. As a participant under SFI®, we strive to communicate and collaborate with local Indigenous peoples and communities in order to better understand their traditional practices with respect to our forest management, including the right to determine and develop priorities and strategies for the development or use of their territories.

### ***Indigenous Rights***

We rely on the Crown to adequately discharge obligations to Indigenous groups in order to preserve the validity of actions dealing with public rights, including the granting of Crown timber harvesting rights. The negotiation of treaties with Indigenous groups and further judgments of the courts may alleviate this uncertainty. However, because the jurisprudence and government policies respecting Indigenous title and rights and the consultation process continue to evolve, we cannot at this time predict whether Indigenous claims will have a material adverse effect on our timber harvesting rights, our ability to exercise or renew them or our ability to secure additional timber harvesting rights in the future.

In June 2021, the BCSC released a decision (the “**BRFN Decision**”) in respect of the Blueberry River First Nation (the “**BRFN**”), in which it ruled that the Crown had unjustifiably infringed the Treaty 8 rights of the BRFN due to the cumulative impacts of decades of industrial development. The court prohibited the BC government from authorizing further activities, which unjustifiably infringe the BRFN's rights and directed the parties to negotiate a collaborative approach to land management and natural resource development that protects the BRFN's treaty rights. The BRFN Decision has potentially significant implications on regulatory and operational requirements for industrial development activities in the northeastern part of British Columbia, and could extend to other areas of Canada where similar claims may be made.

In January 2023, in response to the BRFN Decision, the BC government and the BRFN entered into the Blueberry River First Nations Implementation Agreement (the “**BRFN Agreement**”) which provides for a partnership approach to land, water and resource stewardship. The BRFN Agreement provides for, among other things, a \$200 million restoration fund, an ecosystem based management approach for future land-use planning in the BRFN's most culturally important areas, protections for old growth forests and traplines, land protections in the BRFN's high-value areas and wildlife co-management efforts.

The BC government may take actions concerning its relationships with Indigenous groups under the recent amendments to the Forest Act and the FRPA and its recently announced plan to defer logging in old growth forest areas, and these actions may ultimately reduce the available timber supply under our British Columbia forest licences.

Although the constitutional obligations to pursue reconciliation reside with the federal and provincial governments, all of us at Conifex believe that we also have an important role to play. We have been, and remain, committed to fostering long-term relations with Indigenous groups, and we have and will continue to operate on the basis that resource companies must meaningfully engage with and foster positive long-term relations with Indigenous communities. To that end, the Board and Conifex's leadership team continue to monitor the economic, social and

cultural aspects of reconciliation, including by regularly engaging in discussions with Indigenous groups who assert title or rights over areas within the Mackenzie TSA about potential collaboration opportunities.

## **RISK FACTORS**

We are exposed to many risks factors in conducting our business, including, but not limited to those factors described below.

### **Liquidity Risk**

Liquidity risk is the risk that a company will be unable to meet its financial obligations on a current basis. We manage liquidity risk through regular cash flow forecasting and undertaking appropriate financing activities as required. We intend to finance our planned capital expenditures and scheduled debt payments from existing cash reserves, cash flow from operations, and federal government support for softwood lumber producers affected by elevated duties and tariffs, including under the Large Enterprise Tariff Loan Program (the "**LETL Program**"), if available.

Conifex recognizes there is material uncertainty that may cast significant doubt on its ability to continue as a going concern, and its 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, as may be necessary, to amend the terms and timing of its debt repayment obligations or seek appropriate remedies or waivers from its lenders from time to time, none of which can be guaranteed.

Our credit facilities require us to satisfy certain covenants. There can be no assurance that we will be able to meet such covenants. A failure to meet such covenants could result in our lenders accelerating some or all of our outstanding indebtedness under our loans, which would have a material adverse effect on our business, financial condition and operating results. A failure to meet our financial covenants could also result in lenders seeking to enforce their security against our assets, which would materially adversely affect our business, financial condition and operating results. We continue to work collaboratively with our existing lenders, including on additional amendments or waivers to allow us to remain in compliance with our obligations under our loans. 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 our loans. We are also evaluating additional financing opportunities, including under the LETL Program, to help ensure that we retain sufficient liquidity to fund log and lumber inventories and receivables from the sale of lumber and residual chips.

In accordance with IFRS accounting rules, the non-current portion of our long-term debt was reclassified as current in our audited consolidated financial statements for the year ended December 31, 2025. See Note 11 of the financial statements for the year ended December 31, 2025 for more information. Following the completion of the BDC Loan in March 2026, this long-term debt reclassification is expected to be reversed when we release our results for the first quarter of 2026.

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 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 continues to review its options to improve liquidity. In the event of a sustained market downturn, Conifex maintains flexibility to significantly reduce expenditures and working capital levels and to proactively adjust its lumber production to match demand. Subsequent to December 31, 2025, we have taken additional steps to strengthen our liquidity position, including: (i) securing the Fourth Advance, comprised of a \$5 million bridge advance under the Pender Term Loan in February 2026; and (ii) entering into the BDC Loan in March 2026.

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. Our financial statements for the years ended December 31, 2025 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.

Although we believe our actions will result in sufficient liquidity, there can be no assurance that we will be successful or that market conditions or competition will not work to offset our actions. The availability of funding, or other sources of capital, is dependent on capital markets at the relevant time and may not be available on acceptable terms or at all. In the event that debt or equity capital is not available on acceptable terms, or at all, in the future, we may need to explore other strategic alternatives.

For additional information, see "*Description of Our Business — Three Year History – Softwood Lumber Guarantee Program Term Loan*", "*Description of Our Business — Three Year History – Pender Credit Agreement*" and "*Description of our Business – Three Year History – Power Term Loan*" above.

### **Fluctuations in Prices and Demand**

Our financial performance principally depends on the demand for and selling price of lumber, which is subject to significant fluctuations. The markets for lumber are highly volatile and are affected by many factors such as global, and in particular, North American, economic conditions, including the strength of the US housing market, the Asian market, changes in industry production capacity, changes in inventory levels and other factors beyond our control, including ongoing geo-political developments. In addition, unemployment levels, interest rates, the availability of mortgage credit and the rate of mortgage foreclosures have a significant effect on residential construction and renovation activity, which in turn influence the demand for and price of lumber. A decline in demand and a corresponding reduction in prices for our products may adversely affect our financial condition and results of operations. In the past, we have been negatively affected by declines in product pricing and have curtailed our Mackenzie mill to manage working capital and minimize losses.

### **Costs and Availability of Fibre**

We rely on third party independent contractors to harvest timber in areas over which we hold timber tenures. Increases in rates charged by these independent contractors or the limited availability of these independent contractors may increase our timber harvesting costs. Additionally, in order to ensure uninterrupted access to logs harvested from our timber tenures, we must focus on the continuous development of road networks and the maintenance of remote logging camps, vessels and equipment related to delivery of logs by waterways. In addition, our ability to harvest fibre for use in our operations could be adversely impacted by natural events such as forest fires, severe weather conditions or insect infestations.

Fluctuations in the price, quality or availability of log supply could have a material effect on our business, financial position, results of operations and cash flow.

Our ability to access timber or the availability of such timber under our forest licenses may be impacted by federal or provincial legislative changes, policies or other governmental actions, among other factors. The BC government has adopted amendments to the Forest Act and the FRPA that may result in actions by the BC government that reallocate timber harvesting rights to First Nations and/or local communities or require the development of forest landscape plans by the Chief Forester. These actions could potentially impact the areas covered by our forest licenses and the amount of timber that we are able to harvest from our licenses.

For additional information on our fibre supply, see "*Description of Our Business — Forest Resources — Forest Health*" and "*Description of Our Business — Forest Policy and Regulation — AAC Determination*" above.

### **Costs and Availability of Other Materials**

We require various materials in our manufacturing processes. Competition and supply disruptions may result in increased demand and costs for such materials. Supply may be interrupted due to shortages or due to transportation and logistics associated with the remote location of some of our operations, as well as government restrictions or

regulations which delay the import of certain items. Any interruptions to the procurement and supply of such materials could have an adverse effect on our future cash flows, earnings, results of operations and financial condition.

### **Stumpage Fees**

BCTS is a program within the Ministry of Forests. BCTS is tasked with managing the harvesting and reforestation of approximately 20% of the timber available for harvest from British Columbia's timber harvesting land base. BCTS is expected to sell through auction a substantial and representative portion of British Columbia's annual available timber volume. The bid prices received from auctioned timber are then intended to support the MPS in setting stumpage rates for most non-BCTS cutting authorities throughout British Columbia.

Historically, BCTS has consistently fallen short of its auction volume targets, which may affect the accuracy of stumpage rate setting for forest tenure holders. Low auction volumes increase competition for available timber, driving up costs and potentially leading to fibre shortages, which, in turn, may result in higher stumpage rates.

BCTS has not consistently auctioned timber from certain key areas, such as the northern half of the Mackenzie TSA. We believe that the lack of data from these regions limits the ability to accurately set stumpage rates and understand forest types and operating conditions that affect timber pricing. As a result, businesses in these areas may face uncertainty regarding future timber availability and costs.

BCTS has disclosed that its timber development costs have increased significantly in recent years, potentially impacting future auctions. If these higher development costs are not passed on to bidders, BCTS may struggle to achieve its auction volume targets, which could lead to fewer timber sales and higher prices for fibre.

Periodic changes in the BC government's forestry policies can also affect market conditions and timber prices, adding unpredictability to the timber supply chain.

### **Softwood Lumber Trade Dispute**

Canadian softwood lumber exports to the US have been the subject of trade disputes and managed trade arrangements for the last several decades. After expiry of the last trade dispute between Canada and the US in 2015, a group of US lumber producers and timberland owners petitioned the US Department of Commerce (the "USDOC") and the US International Trade Commission (the "USITC") to impose trade sanctions against Canadian softwood lumber exports to the US. The USITC determined there was reasonable indication that the US industry was materially harmed by imports of Canadian softwood lumber products and the USDOC imposed duties on such shipments.

The duties are likely to remain in place until and unless some form of trade agreement can be reached between Canada and the US or a final binding determination is made as a result of litigation. Unless the additional costs imposed by duties can be passed to lumber consumers, the duties will increase costs for Canadian producers and, in certain cases, could result in some Canadian production becoming unprofitable. Whether and to what extent duties can be passed along to consumers will largely depend on the strength of demand for softwood lumber, which is influenced by a number of factors. It is unclear at this time when, if any, duty amounts deposited will be recovered.

In recent years, major integrated lumber producers with operations in British Columbia have reduced their local footprint in favour of competing lumber supply regions, including the US. Unlike these competitors, because all of our operations are conducted from our Mackenzie mill, all of our lumber shipments to the US are subject to softwood lumber duties.

The emergence of significant demand from other export markets in recent years has somewhat reduced our dependence on the US market and the impact of potential cross-border trade disputes. Revenues generated from electricity sales are expected to provide further sources of cash flow diversification to mitigate the adverse effects of trade sanctions on softwood lumber by the USDOC.

On March 3, 2025, the USDOC released its preliminary determination for the sixth administrative review ("AR6") of AD duties on certain softwood lumber products from Canada covering the 2023 calendar year, with an assigned rate to the "all-others" category, into which Conifex falls, of 20.07%. On April 4, 2025, the USDOC released its preliminary determination for AR6 of the CV duties for the same period, setting a rate of 14.38% for the "all-others" category. The combination of the AD and CV duties is equivalent to a cash deposit rate of 34.45%.

In September 2025, the USDOC announced its final AD and CV duty determinations for AR6, in which the AD "all-others" category rose modestly to 20.53%, and the CV "all-others" category also rose modestly to 14.63%. Conifex's final combined rate is 35.16%.

## **Tariffs**

On February 1, 2025, US President Donald Trump issued an executive order directing the United States to impose new tariffs on imports from Canada to take effect on February 4, 2025. The tariffs announced imposed an additional 25% duty on all Canadian exports to the US with the exception of energy products, which were subject to a 10% duty. In response to these actions, the Government of Canada announced retaliatory tariffs targeting certain American exports to Canada. The foregoing tariffs were ultimately implemented on March 4, 2025. From March 4 to March 6, 2025, a 25% tariff, amounting to \$57,000, was applied to our Canadian lumber exported to the US. On March 6, 2025, the US administration issued an executive order temporarily suspending these tariffs for Canadian goods compliant with USMCA. On August 1, 2025, the 25% tariff was increased to 35%, however USMCA-compliant products, including lumber, continue to remain exempt from these additional tariffs.

On March 1, 2025, President Trump issued an executive order instructing the Secretary of Commerce to launch an investigation under Section 232 to assess the national security implications of importing timber, lumber, and related products. The order mandates a report to the President within 270 days, detailing findings and proposing measures such as tariffs, export controls, quotas, or incentives to boost domestic production to address any identified threats.

Effective October 14, 2025, the US administration impose an additional tariff of 10% on all softwood lumber imported into the US pursuant to Section 232, 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.

President Trump's consistent support for tariffs, and his willingness to utilize them in both his first and current terms in office, indicate that the potential for tariffs to disrupt the Canadian economy or US-Canada trade may exist throughout his current term in office, even following an agreed upon cessation of the tariffs that are currently in effect, if any. Canadian politicians, both in the Government of Canada and opposition parties, have expressed support for retaliatory tariffs, indicating that it is likely Canada will respond with further retaliatory tariffs against US products if President Trump imposes additional or increased tariffs on Canadian goods.

If Canadian producers are unable to pass along to customers the costs of tariffs targeting Canadian exports, these tariffs will likely result in increased costs for Canadian producers and, in certain cases, could result in some Canadian production becoming unprofitable, particularly in cases where a producer is reliant on access to American markets. Because the Company exports goods to the United States, any disruption in US-Canada trade relations could have an adverse effect on our future cash flows, earnings, results of operations and financial condition, as there is no guarantee we will be able to pass along the increased costs associated with tariffs to customers. Whether and to what extent the costs of tariffs can be passed along to customers will largely depend on the strength of demand for our products, which is influenced by a number of factors.

In addition to the threats posed by US tariffs on Canadian goods, we may also be adversely impacted by retaliatory tariffs imposed by the Government of Canada on US exports to Canada. If Canadian tariffs are imposed on inputs we rely on, or result in economy-wide price increases, it is possible that we will be forced to absorb these increased costs as there is no guarantee that our suppliers will be unwilling or unable to pass along these increases to us. Retaliatory tariffs against US goods could result in materials necessary for our production becoming prohibitively expensive or in short supply and could impair our ability to conduct operations. The Company has some flexibility to adjust the timing, scale of, or even cancel, its work programs in response to increasing costs or unavailability of supplies. Like with the costs of tariffs on Canadian exports, the ability of our suppliers to pass along the costs of tariffs on US goods to us will depend on the strength of demand for their products, which is influenced by a number of factors.

## **Transportation Limitations**

We rely primarily on third parties for transportation of our products, as well as delivery of raw materials, a significant portion of which are transported by railroads, trucks and ships. If any of our third party transportation providers fails to deliver the raw material or products or to distribute them in a timely manner, we may be unable to sell those products at full value, or at all, or may be unable to manufacture our products in response to customer demand, which could have a material adverse effect on our financial condition and results of operations. In addition, if any of these third parties cease operations, suffers labour-related or other disruptions (including blockades), or ceases doing business with us, our operations or cost structure may be adversely impacted.

From time to time, we may also face shortages of rail cars, trucks, containers, ships, or other transportation methods that may limit raw material deliveries to us and product deliveries by us to our customers, which may have a material adverse effect on our business.

To the extent that climate change results in more frequent and severe weather occurrences, we may experience increased frequency of transportation disruptions in future years which may result in a disruption of our ability to ship lumber and other products that we manufacture. In addition, the potential of increased frequency of severe weather events may ultimately result in increased transportation costs as transportation providers, including railways, undertake capital expenditures to improve the ability of their transportation infrastructure to withstand severe weather events or to repair damage from severe weather events in order to maintain services.

## **Operational Curtailments**

From time to time, we may suspend or curtail operations at our Mackenzie mill, power plant, or one or more of our logging operations in response to market conditions, environmental risks, workplace health and safety concerns or other operational issues, including power failure, equipment breakdown, dry forest conditions, adverse weather conditions, labour disruptions, fire hazards, reservoir levels or public health restrictions. These unscheduled operational suspensions or curtailments could have a material adverse effect on our financial condition and results of operations.

Furthermore, the potential for increased frequency of extreme weather events associated with climate change may result in an increased frequency of operational curtailments.

## **Regulatory Risks**

Our operations are subject to extensive general and industry-specific federal, provincial, municipal and other local laws and regulations, including those governing forestry, exports, taxes, employees, labour standards, occupational health and safety, waste disposal, environmental protection and remediation, protection of endangered and protected species and land use and expropriation. We are required to obtain approvals, permits and licences for our operations, which may impose conditions that must be complied with. If we are unable to extend or renew, or are delayed in extending or renewing, a material approval, permit or licence, our operations or financial condition could be adversely affected.

There is no assurance that these laws, regulations or government policies, or the administrative interpretation or enforcement of existing laws, regulations and government policies, will not change in the future in a manner that may require us to incur significant capital expenditures or could adversely affect our operations or financial condition. Failure to comply with applicable laws or regulations could result in fines, penalties or enforcement actions, including orders suspending or curtailing our operations or requiring corrective measures or remedial actions.

Further, the ownership or transfer of forest tenures and licences are subject to review by applicable regulatory bodies. If we are unable to extend or renew a material licence or permit required by such laws, any transfer is challenged by a regulatory body, or if there is a delay in renewing any material approval, licence, or permit, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

## **Forest Health**

While beetle populations have affected timber in the Mackenzie TSA for the past two decades, more recently, beetle populations have significantly declined in affected areas. Data from the BC government's 2024 Aerial Overview

Survey of Forest Health indicated that the total area affected by beetle populations within the Mackenzie TSA has decreased dramatically, to approximately 27,000 hectares. Active populations of western balsam bark beetle still remain at trace to light severity. For additional information, see "*Description of Our Business — Forest Resources — Forest Health*" above.

In order to address the impact of beetle infestations, the BC government may, among other things: (i) reduce the volume of timber available by not issuing operating permits to harvest timber or reducing the AAC; (ii) limit the areas that may be harvested under timber tenures; or (iii) change the methodology or rates for stumpage, any of which may reduce our access to fibre supply, which may increase our costs, adversely impact lumber grade and recovery, or otherwise impact our operations, including requiring us to reduce operating rates.

## **Environment**

Our operations are subject to regulation by federal, provincial, municipal and local environmental authorities, including specific environmental regulations, permits, guidelines and policies relating to air emissions and pollutants, wastewater discharges, solid waste, landfill operations, clean-up of unlawful discharges, dangerous goods and hazardous materials, forestry practices, land use planning, municipal zoning, employee health and safety, site remediation and the protection of endangered species and critical habitat. In addition, as a result of our operations, we may be subject to remediation, clean-up or other administrative orders or amendments to our operating permits, and we may be involved from time to time in administrative and judicial proceedings or inquiries. Future orders, proceedings or inquiries could have a material adverse effect on our business, financial condition and results of operations. Environmental laws and land use laws could have a material adverse effect on our business and financial condition. In addition, compliance with regulatory requirements is expensive, at times requiring the replacement, enhancement or modification of equipment, facilities or operations. There can be no assurance that we will be able to maintain our profitability by offsetting any increased costs of complying with future regulatory requirements.

We are subject to liability for environmental damage at our facilities, including damage to neighbouring landowners, residents or employees, particularly as a result of the contamination of soil, groundwater or surface and drinking water. The costs of such liabilities can be substantial. Our potential liability may include damages resulting from conditions existing before we purchased or operated our facilities. We may also be subject to liability for any offsite environmental contamination caused by pollutants or hazardous substances that we or our predecessors arranged to transport, store, treat or dispose of at other locations. In addition, we may be held legally responsible for liabilities as a successor owner of businesses that we acquire or have acquired. Our Mackenzie mill has been operating for decades, and we have not done invasive testing to determine whether or to what extent any such environmental contamination exists. As a result, there may be liabilities for conditions that we discover or that become apparent, including liabilities arising from non-compliance with environmental laws by prior owners.

Because of the limited availability of insurance coverage for environmental liability, any substantial liability for environmental damage could materially adversely affect our results of operations and financial condition.

We have incurred, and will continue to incur, capital, operating, and other expenditures to comply with these applicable environmental laws and regulations. It is possible that our operations will be subject to increasing costs associated with carbon related taxes, and we will be required to mitigate such costs through investment in technology. No assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on our business, operations, financial condition, or operational results, or that any capital expenditures necessary for future compliance with existing and new environmental laws and regulations could be financed from our available cash flow.

We have systems in place to identify, account for and appropriately address potential environmental liabilities. We also have governance in place, including an Environmental, Health and Safety Committee of the Board and environmental professionals on staff to manage potential risks, issues and liabilities.

We also have in place internal programs under which our forestry and manufacturing operations are audited for compliance with environmental laws and accepted standards and with our management systems. Our woodlands operations and the harvesting operations of our key suppliers are third party certified to internationally recognized sustainable forest management standards. Our operations and our ability to sell products could be adversely affected if those operations did or do not, or were perceived by the public as failing to, comply with applicable laws and standards, including responsible environmental and sustainable forestry standards.

Enactment of new environmental laws or regulations or changes in existing laws or regulations might require significant capital expenditures. We may be unable to generate sufficient funds or to access other sources of capital to fund unforeseen environmental liabilities or expenditures.

Our operations and our ability to sell our products could be adversely affected if those operations did not, or were perceived by the public as failing to, comply with applicable laws and standards and following responsible environmental and sustainable forest management practices.

### **Natural and Human-Made Disasters and Climate Change**

Our operations are subject to adverse natural events such as forest fires, severe weather conditions, climate change, timber disease and insect infestation and earthquake activity. These events could damage or destroy our physical facilities or our timber supply, and similar events could also affect the facilities of our suppliers or customers. Any such damage or destruction could adversely affect our financial results.

Changing weather patterns and climate conditions due to natural and human-made causes have added to the unpredictability of the risks to our timber tenures and other standing forests, in particular forest fires, windstorms, insect infestations and disease. Procedures and controls are in place to manage such risk through prevention and early detection. Most of the timber that we harvest comes from Crown tenures, and insurance coverage is maintained only for loss of logs due to fire and other occurrences following harvesting. However, as is standard in our industry, this coverage does not extend to standing timber, and there is no assurance that our coverage would be adequate to provide protection against all eventualities, including natural catastrophes.

In addition, our operations may be adversely affected by fluctuations in water levels in the Williston Reservoir as well as severe weather including wind, snow and rain, that may result in our operations being unable to harvest or transport logs to our Mackenzie mill. We are unable to predict the impact of all these factors on our tenures or our forest practices.

Applicable governmental and regulatory authorities may implement changes in laws, regulations and industry standards in response to climate change. We monitor the implementation of such changes to assess their impacts on operations and develop adaptation and mitigation strategies to manage and reduce climate related risks. However, there is no guarantee that our efforts will be effective, and these risks may lead to increased capital expenditures or operating costs that could adversely affect operations or financial condition. Additionally, we could face increased taxes related to greenhouse gas emissions and reduction policies or regulations which may adversely impact our business.

We may be required to undertake capital projects to: (i) address or mitigate the impacts of climate change and extreme weather events; (ii) comply with new government regulation directed at reducing the impacts of climate change; (iii) reduce the carbon intensity or footprint of our existing operations by reducing or eliminating fossil fuel usage; or (iv) comply with new government regulation directed at improving environmental protection. If the capital expenditures associated with these capital projects are greater than we have projected or if construction timelines are longer than anticipated, or if we fail to achieve the intended efficiencies, our financial condition, results of operations and cash flows may be adversely affected.

We are committed to sustainable forest management practices, taking into account climate change, in consultation with our Indigenous partners and stakeholders. However, reputational risks may arise due to the increasing importance of environmental, social and governance matters among our stakeholders and Indigenous partners which could impact public opinions about us and our industry that could adversely affect our reputation, business, strategy and operations. We continue to work closely with our Indigenous partners and stakeholders to understand their interests, identify risks and opportunities and gauge the effectiveness of our management actions.

### **Reliance on Directors, Management and Other Key Personnel**

Our success depends in part on our ability to attract and retain senior management and other key employees. Competition for qualified personnel depends on, among other things, economic and industry conditions, competitors' hiring practices and the effectiveness of our compensation programs. The loss of, or inability to recruit and retain, any such personnel could impact our ability to execute on our strategies.

## Indigenous Relations

Canadian court decisions have recognized the existence of Indigenous rights and title, which may include rights and title of use to lands historically used or occupied by Indigenous groups. Indigenous groups have claimed Indigenous rights and/or title over a significant portion of British Columbia, and few treaties are in place between the Crown and Indigenous groups in British Columbia. While certain Indigenous groups in British Columbia have entered into treaty negotiations with the Crown, such negotiations involve complex issues that may take many years to resolve, if at all, and the results of such negotiations cannot be predicted.

Courts have held that the Crown has an obligation to consult with Indigenous groups when the Crown has knowledge of either existing rights or the potential existence of Indigenous rights or title and is contemplating actions that may potentially impact such rights or title. Failure of the BC government to adequately discharge its obligations to Indigenous groups may affect the validity of its actions in dealing with public rights, including the granting of Crown timber harvesting rights.

As a result of the Tsilhqot'in Decision in 2014 and the Cowichan Decision in 2025, future court decisions may be required to determine whether and to what extent provincial laws, including the Forest Act and licences granted by the BC government thereunder, apply on lands subject to Indigenous title. While Indigenous title has not been established or formally recognized in areas overlapping with our forest tenures, there can be no assurance that Indigenous title will not in the future be recognized over all or any portion of the area covered by our forest tenures. We cannot assure that Indigenous claims will not in the future have a material adverse effect on our timber harvesting rights, our ability to exercise or renew them or our ability to secure other timber harvesting rights.

Additionally, the Canadian federal government and the BC government have made commitments to review their relationships with Indigenous groups, and both the Canadian federal government and the BC government have adopted UNDRIP. The BC government also brought into force the *Declaration on the Rights of Indigenous Peoples Act*, SBC 2019, c 44 ("**DRIPA**") in November 2019.

In June 2021, the BC government released its Draft Action Plan relating to the implementation of DRIPA. The Draft Action Plan proposes a number of new measures, such as a new framework for resource revenue sharing and other fiscal mechanisms to support Indigenous peoples, and the negotiation of joint-decision making agreements and agreements in which consent from Indigenous governing bodies would be required before the BC government exercises a statutory decision-making power. Due to the high level of the proposals and the corresponding lack of specificity, the impacts of the Draft Action Plan's proposals on our operations remain uncertain at this time.

In 2025, the BCCA held that DRIPA incorporates UNDRIP into the positive law of British Columbia with immediate legal effect, and affirms the interpretive lens through which British Columbia's laws must be viewed, and the minimum standards against which they should be measured (the "**Gitxaala Decision**"). The BCCA further held that Section 3 of DRIPA requires the Crown to consult and cooperate with the province's Indigenous peoples in addressing inconsistencies between rights and standards in UNDRIP and the laws of British Columbia.

The BC government has since expressed that it intends to amend DRIPA.

For additional information about Indigenous relations, see "*Description of Our Business – Indigenous Matters*" above.

The impacts of UNDRIP, DRIPA, the Tsilhqot'in Decision, the Cowichan Decision, and other court decisions, and other proceedings presently before the courts on timber supply from Crown lands and on our operations is unknown at this time, but there is the potential for an adverse timber supply and operational implications associated with the outcome of these ongoing negotiations and issues.

The BC government may also take actions concerning its relationships with Indigenous groups under the recent amendments to the Forest Act and the FRPA and its plan to defer logging in old growth forest areas, and these actions may ultimately reduce the available timber supply from our British Columbia forest licences. If the BC government does take such actions, our ability to secure timber supply from affected areas may be impacted by our ability to foster and maintain good relations with Indigenous groups in the impacted areas, and their willingness to approve or consent to logging of portions of our forest licences that are considered old growth forests. The

unwillingness of Indigenous groups to approve or consent to logging in areas impacted by the deferral could reduce the amount of timber supply available to us.

## **Competition**

Markets for our lumber are highly competitive. Our ability to maintain or improve the cost of producing and delivering products to those markets is crucial. Factors such as cost and availability of raw materials, energy, labour, the ability to maintain high operating rates and low per-unit manufacturing costs and the quality of our final products and customer service all affect earnings. Additionally, our products are sold in markets where we compete against many producers, many of whom have larger capacity than us, including when measured by the number of mills owned and operated. Many of our competitors have existed for a longer period of time and have significantly greater financial resources than us.

Commodity products have few distinguishing properties from producer to producer, therefore competition for these products is based primarily on price, which is determined by supply, relative to demand and competition from substitute products. The prices we receive for our products are affected by many factors that are outside of our control and we have little to no influence over the timing and extent of price changes, which can be volatile. Accordingly, our revenues and results from operations may be negatively affected by pricing decisions made by our competitors and by the decision of our customers to purchase products from our competitors.

Additionally, continued consolidation of parties within the retail and construction industries could result in a reduced number of customers, exposing us to risks associated with the loss of key customers, and an increase in the remaining customers' ability to exert pricing pressure on us and our products.

## **Capital Projects**

We undertake ongoing maintenance activities and capital improvement projects at our facilities. Capital projects require significant commitment of our financial and other resources, and the results of a project may not be immediately known or assessable. We conduct cost-benefit and other analyses prior to the commencement of each capital project to measure the feasibility and expected benefits of proposed projects against pre-established criteria. Each material capital project is approved by our Board. We assign experienced project managers to each project and commit other resources as required, and, to date, have employed demonstrated technology. We are subject to numerous risks related to the undertaking of capital projects, including extensive reliance on third party equipment manufacturers and installers, material cost and time overruns, equipment or technology failure, major unplanned disruptions to existing operations and the failure of a completed project to deliver expected benefits. The realization of any of these risks could have a material adverse effect on our business, financial condition and operating results.

## **Information Systems Security Threats**

We use information technologies ("IT") to assist in managing our operations and various business functions. We rely on various IT to process, store and report on our business and to communicate electronically between our facilities, personnel, customers and suppliers. We also use IT to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. We have entered into agreements with third parties for hardware, software, telecommunications and other IT services in connection with our operations. Our operations depend, in part, on how well we and our IT suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, telecommunications failure, hacking, computer viruses, vandalism and theft and other security issues. Our IT systems may also be breached due to employee error, malfeasance or other disruptions. Our operations also depend on timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, misappropriation of sensitive data, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact our reputation, business, financial condition and results of operations or subject us to civil or criminal sanctions.

In addition to risks we face from cyber-attacks directed at our systems, we also face risks from cyber-attacks impacting third parties, including but not limited to contractors, consultants, and suppliers directly and indirectly involved in our business and operations.

Although we have not to date experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not incur such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### **Maintenance Obligations and Facility Disruptions**

Our manufacturing processes are vulnerable to operational problems that could impair our ability to manufacture products. We could experience a breakdown in any of our machines or other important equipment, and from time to time, planned or unplanned maintenance outages that cannot be performed safely or efficiently during normal hours of operations. Such disruptions could cause a loss of production, which could potentially have a material adverse effect on our business, financial condition and operating results.

### **Currency Risk**

Our Mackenzie mill sells a majority of its lumber at prices denominated in US dollars or based on prevailing US dollar prices, but nearly all of our operating costs and expenses are incurred in Canadian dollars. Therefore, an increase in the value of the Canadian dollar relative to the US dollar reduces the revenue in Canadian dollar terms realized by our Mackenzie mill from sales in US dollars, which reduces operating margin and cash flow available to fund operations. We are also exposed to the risk of exchange rate fluctuations in the period between sale and payment, which results in significant earnings sensitivity to changes in the Canadian/US dollar exchange rate.

We do not currently hedge our foreign exchange exposure with financial forward or open contracts, as the Canadian/US dollar exchange rate is affected by a broad range of factors, making future rates difficult to predict.

### **Wood Dust Management**

The wood products industry and government regulators continue to make the management of combustible wood dust within sawmill manufacturing facilities a high priority. We continue to take steps to mitigate the risks of combustible dust incidents at our Mackenzie mill, including significant capital investment, a formalized wood dust control program and employee training. The transition to a greener log diet also reduces the amount of dry combustible dust at our Mackenzie mill and reduces the likelihood for hazardous operating conditions. Regulatory agencies have implemented various regulatory and inspection initiatives related to wood dust management. Additional regulatory initiatives including stop work conditions within the industry have occurred and continue to be a possibility.

### **Labour Relations**

Production disruptions resulting from walkouts or strikes by unionized employees could result in lost production and sales, which could have a material adverse impact on our business. We employ a unionized workforce in our sawmilling and power generation operations. In September 2024, we signed a new five-year collective labour agreement with the USW for our Mackenzie Mill employees. The collective agreement is retroactive to July 1, 2023, and expires on June 30, 2027. Through Conifer, we entered into discussions with the USW in respect of our power plant employees during the fourth quarter of 2024. Following interest arbitration, a new collective labour agreement was signed in June 2025, which is retroactive to July 1, 2023 and expires on June 30, 2027. We believe our current labour relations are stable and do not anticipate any significant related disruptions to our operations in the foreseeable future.

Any failure to negotiate acceptable agreements with the USW for either our Mackenzie mill or power plant upon the expiry of the current agreements may result in a strike or work stoppage by the affected employees that could result in lost production and sales, higher costs or supply constraints that could have a material adverse effect on our business. The registration or renewal of the collective agreements or the outcome of wage negotiations could result in higher wages or benefits paid to union members. Accordingly, we could experience a significant disruption to our operations or higher ongoing labour costs, which could have a material adverse effect on our business, financial condition, results of operations or cash flow.

We also depend on a variety of third parties that employ unionized workers to provide critical services. Labour disputes experienced by these third parties could lead to disruptions at our facilities.

### **Share Price and Volatility**

Global stock markets have experienced extreme price and volume fluctuations from time to time. External factors outside of our control, including but not limited to: (i) changes in the market price of the commodities that we sell and purchase; (ii) current events affecting the economic situation in North America, Asia, and other markets in which our products are sold; (iii) trends in the industries in which we operate; (iv) regulatory and/or government actions; (v) changes in financial estimates and recommendations by securities analysis; (vi) future acquisitions and financings; (vii) the economics of our current and future projects; (viii) variations in our operating results or financial condition; (ix) the operating and share price performance of other companies, including those that investors may deem comparable to us; (x) any issuance of additional equity security; and (xi) the occurrence of any of the risks and uncertainties described above, may have a significant impact on the market price of our common shares.

### **Integration and Build-out of Hosting Operations**

Commencing, and then integrating, any hosting operations will be complex, time consuming and potentially expensive and will be subject to various risks. These risks include our ability to secure a reliable source of power; diversion of management's attention from our primary business; difficulty integrating operations including financial and accounting functions, sales and marketing procedures, technology and other corporate administrative functions; difficulties in managing expanding operations; and challenges in attracting and retaining key personnel.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in expected revenues and diversion of management's time and energy, which could adversely affect our results of operations, financial condition and cash flows.

On December 31, 2022, the LGIC issued an OIC directing the British Columbia Utilities Commission to, among other things, accept the request of BC Hydro to implement the Temporary Suspension, which OIC impacted two of our proposed high-performance computing projects.

In April 2023, we filed a petition in the Supreme Court of British Columbia (the "BCSC") seeking judicial review of the OIC and an order quashing and setting aside the OIC as unauthorized or otherwise invalid, which was subsequently dismissed in February 2024. We filed an appeal of the BCSC's decision, which was dismissed by the British Columbia Court of Appeal (the "BCCA") in March 2025. We continue to believe that the moratorium to discriminate against a certain class of customers is unjustified and we continue to evaluate our legal position.

Concurrently with the filing of the petition, we filed a notice of civil claim against BC Hydro in the BCSC seeking an order requiring BC Hydro to supply service to our HPC projects, and in February 2025, we filed an amended notice of civil claim pursuant to which, among other things, we are seeking damages for breach of contract and BC Hydro's duty of good faith.

### **Periodic Litigation**

We may from time to time become party to claims and litigation proceedings that arise in the course of our business. Such matters are subject to many uncertainties, and we cannot predict with assurance the outcomes and ultimate financial impacts of them. There can be no guarantees that actions that may be brought against us in the future will be resolved in our favour or that the insurance we carry will be available or paid to cover any litigation exposure. Any losses from settlements or adverse judgments arising out of these claims could be materially adverse to us.

### **Tax Exposures**

In the normal course of business, we take various tax filing positions without the assurance that tax authorities will accept and not challenge such positions. In addition, we are subject to further uncertainties concerning the interpretation and application of tax laws in various operating jurisdictions. We maintain reserves for known estimated tax exposures in all jurisdictions. These exposures are settled primarily through the closure of audits with the jurisdictional taxing authorities.

## **Return of Capital to Shareholders**

We returned capital to our shareholders in 2023 through share repurchases. There is no assurance that we will return capital to shareholders in future years, or as to the amount of capital that will be returned. Further, decisions to return capital to shareholders remain at the discretion of our Board, and shareholders may not agree with the manner and the amounts of capital, if any, that is returned to shareholders. Any determination to pay future dividends will remain at the discretion of the Board and will be made taking into account our financial condition and other factors deemed relevant by the Board. For these reasons, as well as others, there can be no assurance that we will pay dividends in the future, or that any dividends that we pay in the future will be equal or similar to the dividends that we have paid.

## **Internal Controls Over Financial Reporting**

We may fail to maintain the adequacy of our internal controls over financial reporting as such standards are modified, supplemented or amended from time to time, and we cannot ensure that we will conclude on an ongoing basis that we have effective internal controls over financial reporting. Our failure to satisfy the requirements of Canadian legislation on an ongoing, timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price and market value of our shares or other securities. In addition, any failure to implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

We may fail to maintain the adequacy of our disclosure controls. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to our management, as appropriate, to allow timely decisions regarding required disclosure.

No evaluation can provide complete assurance that our financial and disclosure controls will detect or uncover all failures of persons within Conifex to disclose material information otherwise required to be reported. Our control systems can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. The effectiveness of our controls and procedures could also be limited by simple errors or faulty judgements.

## **Inflation**

Costs associated with logs, wood chips, chemicals, gas, electricity, transportation, and labor experienced inflationary pressures higher than the historical annual increase experienced on average in prior periods, and such inflationary pressures may continue to increase our operating costs and reduce our operating margins. There is no guarantee that the effects of these cost pressures will be fully offset by price increases, productivity improvements, or cost-reduction initiatives.

## **Public Health Crises**

Our business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises. Such public health crises could result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and preventative measures, or fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. Our exposure to such public health crises also includes risks to employee health and safety.

## **DIVIDENDS**

We have not declared or paid any dividends on our common shares in the last three most recently completed financial years and do not foresee the declaration or payment of any dividends on our common shares in the near future. Our Board will make any decision to pay dividends on our common shares on the basis of our earnings, financial requirements and other conditions existing at such future time and which our Board considers appropriate in the circumstances.

We are subject to certain restrictions on the declaration and payment of dividends set out in the CBCA and in our credit facilities. In particular: (i) the CBCA provides that a company will not declare or pay a dividend in property, including in money, if there are reasonable grounds for believing that the company is insolvent or the payment of the dividend would render the company insolvent; (ii) the BDC Loan generally prohibits the payment of dividends during the first twenty-four months of the term of the loan; and (iii) the Pender Term Loan and the Power Term Loan each prohibits the declaration or payment of dividends without the prior written consent of the lender thereunder, respectively.

## DESCRIPTION OF CAPITAL STRUCTURE

We are authorized to issue an unlimited number of common shares without par value, of which 40,767,710 common shares are issued and outstanding as of the date of this Annual Information Form.

### Common Shares

Our common shares entitle their holders to: (a) receive notice of and attend any meetings of our shareholders, with one vote for each common share held, except at meetings at which only holders of a specified class are entitled to vote; (b) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, any dividend declared by us; and (c) the right to receive, subject to the prior rights and privileges attaching to any other class of our shares, our remaining property and assets upon dissolution. Subject to the provisions of the CBCA, we may, by special resolution, fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of our common shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends, the method of calculating dividends, the dates of payment of dividends, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

## BY-LAW AMENDMENTS

Our Board has adopted an advance notice policy regarding the nomination of directors (the "**Advance Notice Policy**"). The purpose of the Advance Notice Policy is to provide our shareholders, directors and management with a procedure for shareholder nomination of directors. The Advance Notice Policy is the framework by which we fix a deadline by which registered or beneficial holders of common shares must submit director nominations to us prior to any annual or special meeting of shareholders, and sets forth the information that a shareholder must include in the notice to us for the notice to be in proper written form. No person nominated by shareholders will be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Policy.

## MARKET FOR SECURITIES

### Trading Price and Volume

Our common shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol "CFF". The following table provides the monthly high and low sales price and trading volume of our common shares on the TSX for our fiscal year ended December 31, 2025:

	Trading Summary		
	High (\$)	Low (\$)	Volume Traded (#)
<b>2025</b>			
January	0.36	0.30	200,758
February	0.36	0.30	91,460
March	0.39	0.28	285,999
April	0.39	0.28	110,208
May	0.45	0.30	254,635
June	0.43	0.29	170,788
July	0.36	0.30	262,409
August	0.34	0.28	311,829
September	0.31	0.26	419,702
October	0.27	0.23	318,785
November	0.24	0.15	1,039,624
December	0.17	0.05	6,864,704

### Prior Sales

The following table summarizes the issuances of our securities, other than our common shares, in our last fiscal year:

Date	Price per Security	Number of Securities	Type of Security
January 17, 2025	N/A	4,320,000 <sup>(1)</sup>	Warrants
June 27, 2025	\$0.32 <sup>(2)</sup>	939,840	RSU <sup>(3)</sup>

Notes:

- (1) On January 17, 2025, Conifex issued 4,320,000 common share purchase warrants having an exercise price of \$0.50 per warrant to Pender and concurrently cancelled the 3,600,000 Original Warrants issued on June 12, 2024, pursuant to the terms of the amended Pender Term Loan. For additional information see "*Description of our Business – Three Year History – Pender Credit Agreement*" above.
- (2) Represents the deemed price at which the securities were issued.
- (3) "RSU" means restricted share unit awards issued under our amended and restated long-term incentive plan dated June 22, 2020.

## DIRECTORS AND EXECUTIVE OFFICERS

### Name, Occupation and Biography

Our Board consists of five directors. The term of office for each of our directors will expire at the time of our next annual general meeting of shareholders to be held in 2025. The following table sets forth, as at the date hereof, the name, province or state and country of residence and position(s) held for each of our directors and executive officers, as well as the date of election of each of our directors:

Name and Province or State and Country of Residence	Current Position(s)	Director Since
Kenneth A. Shields <sup>(1)</sup> British Columbia, Canada	Chairman, Chief Executive Officer and Director	June 3, 2010
David E. Roberts <sup>(2)(3)</sup> Ontario, Canada	Director	May 27, 2010
Michael Costello <sup>(1)</sup> British Columbia, Canada	Director	April 18, 2012
Janine North <sup>(1)(2)(3)</sup> British Columbia, Canada	Director	February 14, 2017
Charles P. Miller <sup>(2)(3)</sup> Texas, United States of America	Director	July 9, 2018

Name and Province or State and Country of Residence	Current Position(s)	Director Since
Trevor Pruden British Columbia, Canada	Chief Financial Officer, Corporate Secretary	N/A
Andrew McLellan British Columbia, Canada	President and Chief Operating Officer	N/A

Notes:

- (1) A member of the Environmental, Health and Safety Committee, which is comprised of Michael Costello (Chair), Kenneth Shields and Janine North.
- (2) A member of the Audit Committee, which is comprised of Janine North (Chair), David Roberts and Charles P. Miller.
- (3) A member of the Corporate Governance and Human Resources Committee, which is comprised of David Roberts (Chair), Janine North and Charles P. Miller.

Our directors and executive officers, as a group, currently beneficially own, directly or indirectly, or exercise control or direction over 2,932,089 (approximately 7.19%) of our outstanding common shares.

Set out below are profiles of our directors and executive officers, including particulars of their principal occupations for the past five years:

**Kenneth A. Shields, age 77, Chairman, Chief Executive Officer and Director.** Mr. Shields currently serves as a director of the British Columbia Lumber Trade Council and the Council of Forest Industries. Mr. Shields previously served as Chair of the Canadian BioEnergy Association and director of the Forest Products Association of Canada, Bioindustrial Innovation Canada, the Investment Dealers' Association of Canada, Raymond James Financial Inc., Mercer International Inc., TimberWest Forest Corp. and Slocan Forest Products Ltd. Mr. Shields resigned as Chief Executive Officer of Raymond James Ltd. in 2006 to devote his efforts to launching Conifex.

**David E. Roberts, age 84, Director.** Mr. Roberts retired in 2004 from Raymond James Ltd. where he headed its institutional equity business based in Toronto, Ontario.

**Michael Costello, age 75, Director.** Mr. Costello has held a number of executive and board positions during his career. Mr. Costello has served as President and Chief Executive Officer of the British Columbia Transmission Corporation, President and Chief Executive Officer of BC Hydro and Deputy Minister of Finance and Secretary to the Treasury Board for the Government of British Columbia and the Government of Saskatchewan. Mr. Costello previously served as Chair of the Canadian Electricity Association, Chair of the Energy Council of Canada and director of the Vancouver Island Health Authority, the Ontario Power Authority and InTransit BC.

**Janine North, age 65, Director.** Ms. North currently serves as a director of Imperial Metals Corporation, Mercer International Inc., the Fraser Basin Council and British Columbia Ferry Services Inc. Ms. North is a former director of BC Hydro and Maple Gold Mines Ltd. She has also served as a director of numerous non-profit organizations. Ms. North retired from the Northern Development Initiative Trust in 2016 after serving eleven years as the founding Chief Executive Officer.

**Charles P. Miller, age 64, Director.** Mr. Miller has served as a partner of Blue Wolf Capital Partners LLC ("Blue Wolf") since 2010 and serves on the boards of Blue Wolf portfolio companies Pharmaceutical Strategies Group LLC, Novo Building Products, The Mulch and Soil Company LLC and Petrosmith, LLC. Prior to joining Blue Wolf Capital Partners LLC, Mr. Miller was a partner at Patton Boggs LLP, where he served as firm-wide Deputy Managing Partner and Managing Partner of the firm's Dallas, Texas office. Mr. Miller has also served as a director of numerous for profit and non-profit organizations.

**Trevor Pruden, age 43, Chief Financial Officer.** Mr. Pruden has been with Conifex since 2011 in various operational, finance and leadership roles. Prior to his current role, Mr. Pruden was our Vice President, Strategic Planning and Corporate Services. Mr. Pruden holds a Chartered Professional Accountant designation.

**Andrew McLellan, age 52, President and Chief Operating Officer.** Mr. McLellan has over 25 years of experience in various leadership roles within Canada and internationally in a variety of industries including energy, forestry, manufacturing and oil and gas. Prior to his current role, Mr. McLellan was our Vice President and General Manager, Northern Operations. Prior to joining Conifex in 2016, Mr. McLellan served as Vice President and co-founder of a successful engineering and project management consulting firm focused on developing clean and renewable energy projects. Mr. McLellan is a Registered Professional Forester and member of the Forest

Professionals of BC. Mr. McLellan began his career in Prince George, BC in 1997 with Northwood Pulp and Timber Limited which was later acquired by Canfor Corp. in 1999.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the best of our knowledge, no director or executive officer is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director, Chief Executive Officer ("CEO") or Chief Financial Officer ("CFO") of any company (including our Company) that:

- was the subject, while the director or executive officer was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of such company.

To the best of our knowledge, no director, executive officer or a shareholder holding a sufficient number of our securities to affect materially the control of our Company:

- is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including our Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;
- has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Our directors and officers may be subject to potential conflicts of interest in connection with our operations. In particular, certain of our directors and officers are involved in managerial or director positions with other companies whose operations may, from time to time, be in direct or indirect competition with our operations or with entities which may, from time to time, provide financing to, or make equity investments in, our competitors. See the section of this Annual Information Form titled "*Directors and Executive Officers – Name, Occupation and Biography*". In accordance with the CBCA, any director who has a material interest or any person who is a party to a material contract or a proposed material contract with us is required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, our directors are required to act honestly and in good faith with a view to the best interests of our Company. Certain of our directors and officers have either other employment or other business or time restrictions placed on them, and, accordingly, these directors and officers will only be able to devote part of their time to our affairs.

## AUDIT COMMITTEE DISCLOSURE

Our Board appoints the Audit Committee to assist in monitoring: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; and (iii) the qualifications, appointment, independence and performance of our external auditors and senior financial executives. The Audit Committee's authority and responsibilities include meeting with our auditor and reviewing our annual financial statements and making recommendations for the approval of such financial statements to the Board. Material issues related to the audit of our internal accounting controls and information systems are discussed with the Audit Committee as such issues arise. The Audit Committee has direct access to our auditors.

### Audit Committee Charter

The Terms of Reference for the Audit Committee contained in our Corporate Governance Guidelines set out the responsibilities and duties, qualifications for membership, procedures for committee member appointment and requirement of reporting to the Board. A copy of the Terms of Reference for the Audit Committee is attached hereto as Schedule "A".

### Composition of the Audit Committee

Janine North is the chair of the Audit Committee. The other members of the Audit Committee are David E. Roberts and Charles P. Miller. Each member of the Audit Committee is "financially literate" within the meaning of National Instrument 52-110 — *Audit Committees* ("NI 52-110"). All members of the Audit Committee are "independent" members of the audit committee as that term is used in NI 52-110.

### Relevant Experience

Set out below is a description of the education and experience of each member of the Audit Committee relevant to the performance of his or her responsibilities as a member of the Audit Committee:

**Janine North.** Ms. North currently serves as a director of Imperial Metals Corporation, Mercer International Inc., the Fraser Basin Council and British Columbia Ferry Services Inc. Ms. North is a former director of BC Hydro and Maple Gold Mines Ltd. She has also served as a director of numerous non-profit organizations. Ms. North retired from the Northern Development Initiative Trust in 2016 after serving 11 years as the founding Chief Executive Officer.

**David E. Roberts.** Mr. Roberts is retired from Raymond James Ltd. where he headed its institutional equity business based in Toronto, Ontario. Mr. Roberts has also participated in a number of courses related to risk management and governance topics with particular emphasis on audit committees.

**Charles P. Miller.** Mr. Miller serves as a partner of Blue Wolf since 2010 and serves on the boards of various Blue Wolf portfolio companies. Prior to joining Blue Wolf, Mr. Miller was a partner at Patton Boggs LLP, where he served as firm-wide Deputy Managing Partner and Managing Partner of the firm's Dallas, Texas office. Mr. Miller has also served as a director of numerous for profit and non-profit organizations.

### Pre-Approval Policies and Procedures

The Terms of Reference for the Audit Committee include responsibilities regarding the provision of non-audit services by our external auditors. The Terms of Reference for the Audit Committee state that the Audit Committee shall: (i) pre-approve the retention of the independent auditor for all audit and non-audit services, including tax services, and the fees for such non-audit services which are provided to us and our subsidiaries; (ii) consider whether the provision of non-audit services is compatible with maintaining the auditor's independence; and (iii) if so determined by the Audit Committee, recommend that our Board take appropriate action to satisfy itself of the independence of the auditor.

### Audit Committee Oversight

At no time since the commencement of our most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

## Audit, Tax and Other Fees

Fees paid or accrued to our external auditor for audit and other services for the years ended December 31, 2024 and December 31, 2023, are as follows:

	<u>2025</u>	<u>2024</u>
Audit fees <sup>(1)</sup> .....	\$ 275,525	\$ 158,901
Audit-related fees <sup>(2)</sup> .....	48,891	70,506
Tax fees <sup>(3)</sup> .....	133,495	66,840
Other fees <sup>(4)</sup> .....	13,827	57,992
	<u>\$ 465,738</u>	<u>\$ 354,239</u>

### Notes:

- (1) Audit fees include the audit of our annual financial statements.  
(2) Audit-related services include assurance and related services reasonably related to the performance of the audit or review of our financial statements.  
(3) Tax services include tax compliance services and planning and related services.  
(4) Other fees consist of fees for services related to the documentation and filing of internal controls over financial reporting.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are subject to routine litigation incidental to our business. Other than as otherwise disclosed herein, including as set forth below, we were not party to, and our property was not the subject of, any material legal or regulatory proceedings within the preceding financial year, or which we know to be reasonably contemplated.

### Softwood Lumber Dispute

On November 25, 2016, a coalition of US lumber producers petitioned the USDOC and the USITC to investigate alleged subsidies to Canadian producers by the federal and provincial governments, and to therefore levy countervailing and antidumping duties against Canadian imports of softwood lumber. The US duty rate determinations are subject to annual administrative reviews.

CV and AD duties were first imposed on softwood lumber exports from Canada to the US made in 2017 and 2018, and we continue to be subject CV and AD duties at the cash deposit rates applicable in each period.

On March 3, 2025, the USDOC released its preliminary determination for the sixth administrative review of AD duties on certain softwood lumber products from Canada covering the 2023 calendar year, with an assigned rate to the "all-others" category, into which Conifex falls, of 20.07%. On April 4, 2025, the USDOC released its preliminary determination for AR6 of the CV duties for the same period, setting a rate of 14.38% for the "all-others" category. The combination of the AD and CV duties is equivalent to a cash deposit rate of 34.45%.

In September 2025, the USDOC announced its final AD and CV duty determinations for AR6, in which the AD "all-others" category rose modestly to 20.53%, and the CV "all-others" category also rose modestly to 14.63%. Conifex's final combined rate is 35.16%.

Our 2025 financial results include a CV and AD duty deposits expense based on the final rates on softwood lumber shipments to the US for the years ended December 31, 2020, 2021, 2022, and 2023 and an adjustment for previously expensed amounts related to such periods from the cash deposits paid to the final published rates for the respective review period. Duty deposits held in trust by the US pending the conclusion of all administrative reviews and appeals of US decisions.

Like other Canadian forest product companies and the Canadian federal and provincial governments, we deny the US allegations and disagree with the final determinations made by the USDOC and USITC, and, collectively, continue to aggressively defend the Canadian industry in this trade dispute. The federal government has initiated dispute proceedings with the North American Free Trade Agreement panels and the World Trade Organization.

## REGISTRAR AND TRANSFER AGENT

Our registrar and transfer agent is Computershare Trust Company of Canada, 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, executive officers, any person or company who, to the best of our knowledge, beneficially owns, or controls or directs, directly or indirectly, more than 10% of our outstanding common shares or any known associate or affiliate of any such persons, in any transaction since incorporation or in any proposed transaction which has materially affected or is reasonably expected to materially affect our Company.

## MATERIAL CONTRACTS

Except as otherwise described in this Annual Information Form, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to our Company and that were entered into in the most recently completed financial year, or before the most recently completed financial year, but are still in effect and have not been previously filed.

The following material contracts were entered into by us during the most recently completed financial year and up to the date of this Annual Information Form or before the most recently completed financial year but are still in effect:

1. EPA dated June 10, 2011, as amended, between BC Hydro and us. For additional information, see "*Description of Our Business — Bioenergy Operations*";
2. LDA dated June 10, 2011, between BC Hydro and us. For additional information, see "*Description of Our Business — Bioenergy Operations*";
3. Power Term Loan dated October 30, 2018, as amended, between Fiera Infrastructure Private Debt Fund LP *et al.* and us. For additional information, see "*Description of Our Business – Three Year History – Power Term Loan*";
4. Pender Term Loan, as amended, dated December 31, 2024, between Pender and us. For additional information, see "*Description of Our Business — Three Year History – Pender Credit Agreement*"; and
5. BDC Loan dated February 17, 2026, between BDC and us. For additional information, see "*Description of Our Business — Three Year History – Softwood Lumber Guarantee Program Term Loan*".

## INTERESTS OF EXPERTS

Our auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, and they have advised us that they are independent of our Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

## ADDITIONAL INFORMATION

Additional information regarding us, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our information circular dated May 14, 2025 in respect of our annual meeting of shareholders held on June 27, 2025, which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Additional financial information is provided in our consolidated financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2025, which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Additional information relating to our Company may be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## SCHEDULE "A"

### TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

OF

### CONIFEX TIMBER INC.

#### 1. PURPOSE

The Audit Committee is appointed by the Board to assist the Board in monitoring: (1) the integrity of the financial statements of the Company; (2) the compliance by the Company with legal and regulatory requirements; and (3) the qualifications, appointment, independence and performance of the Company's external auditors and senior finance executives.

The Audit Committee shall consist of at least 3 directors as determined by the Board. The members of the Audit Committee shall meet the independence and experience requirements of any exchange or quotation system upon which the Company's securities are listed or quoted and in accordance with applicable securities laws. In particular, every member of the Audit Committee must be financially literate within the meaning of, and in accordance with, applicable securities laws. The members of the Audit Committee shall be appointed by the Board. The Board shall appoint one of the directors on the Audit Committee as the Audit Chair.

The Audit Committee may request any officer or employee of the Company and its subsidiaries or the Company's outside counsel or independent auditor to attend meetings of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Company shall provide funding to compensate: (i) any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and (ii) any independent legal, accounting or other consultants employed by the Audit Committee. The Company shall also provide funding for the Audit Committee's ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall have the following authority and responsibilities:

1. To review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Overseeing the work of the external auditor engaged for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services.
3. To review, prior to public disclosure thereof, the annual audited financial statements and management's discussion and analysis with management and the Company's independent auditor, including: (i) matters required to be reviewed under applicable legal and regulatory requirements; (ii) major issues regarding accounting and auditing principles and practices; and (iii) the adequacy of internal controls that could significantly affect the Company's financial statements.
4. Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

5. To review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements.
6. To review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities on the Company's financial statements.
7. To review and discuss with management and the independent auditor, as appropriate, the Company's quarterly financial statements, including the results of the independent auditors' review of the quarterly financial statements and earnings press releases, and approve all quarterly financial statements, earnings press releases and financial information provided to rating agencies before public disclosure thereof.
8. To review the disclosure required for the Company's management information circular or other document prescribed by applicable securities laws.
9. To meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
10. To review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal accounting or financial personnel or management.
11. Recommend to the Board the nomination and appointment of the independent auditor for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company. Each independent auditor or registered public accounting firm engaged for the Company or the Audit Committee shall report directly to the Audit Committee.
12. The sole authority to approve all audit engagement terms and fees to be paid to the independent auditor for audit services.
13. The authority to engage independent counsel and other advisors as it deems necessary to carry out the duties and responsibilities of the Audit Committee.
14. To review the experience and qualifications of the senior members of the independent auditor team, the quality control procedures of the independent auditor and the rotation of the lead partner and reviewing partner of the independent auditor.
15. To review and discuss with the external auditors the scope of the annual audit and the results of the annual audit examination by the external auditors.
16. To pre-approve the retention of the independent auditor for all audit and non-audit services to be provided to the Company or its subsidiaries by any independent public accountants, including tax services, and the fees for such non-audit services.
17. To receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
18. To evaluate the performance of the independent auditor and whether it is appropriate to adopt a policy of rotating independent auditors on a regular basis. If so determined by the Audit Committee, recommend that the Board replace the independent auditor.

19. To review and pre-approve the hiring policies of the Company regarding partners, employees and former partners and employees of the auditors and who were engaged on the Company's account.
20. To review the appointment and replacement of the senior accounting and financial executives.
21. To review the significant reports to management prepared by the internal accounting and financial personnel and management's responses.
22. To obtain reports/confirmation from management, the Company's senior accounting and financial personnel and the independent auditor that the Company's subsidiaries are in conformity with applicable legal requirements and the Company's Code of Conduct, including disclosures of insider and affiliated party transactions.
23. To review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
24. To review with the independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the independent auditor and management of the Company and any management letter provided by the auditor and the Company's response to that letter. Such review should include:
  - (a) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;
  - (b) the internal accounting and financial responsibilities; and
  - (c) the investigation and implementation of the resolution of any disagreement between the independent auditor and the management of the Company.

The Audit Committee shall be directly responsible for the resolution of disagreements between management and the external auditor regarding financial reports.

25. To advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Conduct.
26. To meet at least quarterly with the Chief Financial Officer and the independent auditor in separate executive sessions.
27. To review with management material matters relating to tax and insurance.
28. To review and consider transactions with related parties and/or affiliated transactions.
29. To review and approve or ratify, on at least an annual basis, summary expense reports and reimbursements of the Chief Executive Officer and Chief Financial Officer.
30. To establish procedures for: (i) the receipt, retention, processing, treatment and resolution of complaints regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding auditing or accounting matters.
31. To review and investigate any matters pertaining to the integrity of management, including conflicts of interest or adherence to standards of business conduct as required in the policies of the Company.

*While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor (other than as set out herein) or to assure compliance with laws and regulations and the Company's Code of Conduct.*

## **2. ACCOUNTABILITY**

- 2.1 The minutes of all meetings of the Committee will be made available for review by any member of the Board on request to the Audit Chair of the Audit Committee.

**INDICATIVE SCHEDULE FOR AUDIT COMMITTEE MATTERS**

<i>Agenda Items</i>	<b>J</b>	<b>F</b>	<b>M</b>	<b>A</b>	<b>M</b>	<b>J</b>	<b>J</b>	<b>A</b>	<b>S</b>	<b>O</b>	<b>N</b>	<b>D</b>
<b>Review of Financials</b>												
(i) Review and reassess the adequacy of the Audit Committee Charter		•				•						
(ii) Review the annual audited financial statements with management and the auditor		•										
(iii) Review analysis prepared by management and the auditor of significant financial reporting issues and judgments		•			•			•			•	
(iv) Review with management and the auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and variable interest entities		•			•			•			•	
(v) Review with management and the auditor the Company's quarterly financials		•			•			•			•	
(vi) Prepare the report required for the Company's management information circular or other document prescribed by applicable securities laws					•							
<b>Review of Personnel</b>												
(i) Review qualifications of the senior members of the auditor team, quality control procedures and the rotation of partners								•				
(ii) Review and discuss with the auditors the scope of the annual audit and results		•						•				
(iii) Pre-approve the retention of the auditor for all audit and permitted non-audit services								•				
(iv) Review and pre-approve any hiring by the Company of employees of the auditor (as needed)		•			•			•			•	
(v) Review the appointment and replacement of the senior accounting and financial executives (as needed)											•	
<b>General Duties</b>												
(i) Review the significant reports to management prepared by the internal accounting and financial personnel		•			•			•			•	
(ii) Obtain confirmation from management and the auditor re: compliance with legal requirements and the Code of Conduct		•			•			•			•	

<i>Agenda Items</i>	<b>J</b>	<b>F</b>	<b>M</b>	<b>A</b>	<b>M</b>	<b>J</b>	<b>J</b>	<b>A</b>	<b>S</b>	<b>O</b>	<b>N</b>	<b>D</b>
(iii) Review with management and the auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints which raise material issues regarding the Company's financials and accounting policies		•			•			•			•	
(iv) Review with the auditor any problems and difficulties the auditor may have encountered and any disagreements with management		•			•			•			•	
(v) Review and approve summary expense reports and reimbursement of the Chair, Chief Executive Officer and Chief Financial Officer		•										
(vi) Review and investigate any matters pertaining to the integrity of management (as needed)		•			•			•			•	
(vii) Review with management material matters relating to tax and insurance		•			•			•			•	
(viii) Review and consider transactions with related parties as scheduled and otherwise as required		•										
(ix) Review Whistleblower Policy and all reports thereon as scheduled and otherwise as required		•										
(x) Meet with management and review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures		•						•				