



**CONIFEX TIMBER INC.  
FIRST QUARTER 2026**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**May 15, 2026**

*This Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and results of operations of Conifex Timber Inc. ("Conifex", "us", "we", or "our"), on a consolidated basis, for the quarter ended March 31, 2026, relative to the quarters ended December 31, 2025, and March 31, 2025. This interim MD&A should be read together with our unaudited condensed consolidated interim financial statements for the quarters ended March 31, 2026 and March 31, 2025 and our MD&A and our audited consolidated financial statements and notes thereon for the year ended December 31, 2025, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IFRS Accounting Standards) and filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).*

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

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

**Forward-Looking Statements**

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

*Examples of such forward-looking information that may be contained in this document include statements regarding: the availability and use of credit facilities or proceeds therefrom; our level of liquidity and our ability to service our debt; the realization of expected benefits of completed, current and any contemplated capital projects and the expected timing and budgets for such projects; the growth and future prospects of our business; our expectations regarding our results of operations and performance; our planned operating format and expected operating rates; our perception of the industries or markets in which we operate including anticipated trends in the U.S. housing market; our ability to supply our manufacturing operations with wood fibre and our expected cost of wood fibre; our expectation for market volatility associated with the softwood lumber dispute with the U.S.; potential negative impacts of duties or other protective measures on our products; the expected rates of antidumping duties, countervailing duties, tariffs, and other duties imposed by the U.S. government; continued positive relations with Indigenous groups; the development of a longer-term capital plan and the expected benefits therefrom; demand and prices for our products; our*

*ability to develop new revenue streams; the outcome of any actual or potential litigation; future capital expenditures; changes in stumpage fees; and our expectations regarding interest rates and U.S. dollar benchmark prices.*

*Persons reading this interim MD&A are cautioned that statements comprising forward-looking information are only predictions, and that our actual future results or performance are subject to certain risks and uncertainties including, without limitation: those relating to potential disruptions to production and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other similar factors; labour relations; failure to meet regulatory requirements; changes in the market; potential downturns in economic conditions; fluctuations in the price and supply of required materials, including log costs; fluctuations in the market price for products sold; foreign exchange fluctuations; trade restrictions or import duties imposed by foreign governments; availability of financing (as necessary); and other risk factors detailed in our 2025 annual information form dated March 31, 2026 and our 2025 annual MD&A dated March 21, 2026, available under Conifex's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and other filings with the Canadian securities regulatory authorities. These risks, as well as others, could cause actual results and events to vary significantly. Conifex does not undertake any obligation to update any forward-looking information, except as required by applicable securities laws.*

## **BUSINESS OVERVIEW**

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

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

We operate a 36-megawatt biomass power generation plant in Mackenzie, British Columbia (the "Power Plant"), located at the site of our Mackenzie Mill. Our Power Plant's output capacity is in excess of 230 gigawatt hours ("GWh") of electricity per year. We have an electricity purchase agreement ("EPA") and a related load displacement agreement ("LDA") with the British Columbia Hydro and Power Authority ("BC Hydro"). Under the EPA, BC Hydro agreed to purchase approximately 200 GWh of electrical energy annually over a 20-year term ending in 2035, for a fixed price, and under the LDA we agreed to supply the energy requirements of our Mackenzie Mill over the same 20-year term.

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

## **RECENT DEVELOPMENTS**

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

In March 2026, Conifex's wholly owned subsidiary, Conifex Mackenzie Forest Products Inc., 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 Pender Corporate Bond Fund. ("**PenderFund**"). 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.

In connection with the BDC Loan, Conifex, together with certain of its wholly-owned subsidiaries, BDC, and PenderFund, entered into a priority agreement pursuant to which, among other things, PenderFund 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 PenderFund, except in the case of certain material defaults.

### ***Sawmill and Power Plant Operating Configuration***

In early February 2026, Conifex resumed operations at the Mackenzie Mill under a two-shift configuration. The resumption of two-shift operations lowered our per-unit manufacturing costs and improved operating economics relative to single-shift operations. With the successful 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.

Subsequent to the quarter-end, Conifex announced in early May that it would temporarily curtail sawmill operations at its Mackenzie, British Columbia facility for an approximately seven-week period commencing May 19, 2026, with a target restart in July 2026.

## SUMMARY

The following table summarizes our operating results.

### Selected Financial Information

(unaudited, in millions of dollars, except share and exchange rate information)	Q1 2026	Q4 2025	Q1 2025
<b>Sales</b>			
Lumber – Conifex produced	15.0	15.8	31.3
By-products and other	1.7	1.7	6.3
Bioenergy	5.2	8.6	7.0
	<b>21.8</b>	<b>26.1</b>	<b>44.6</b>
Operating income (loss)	(9.8)	(15.9)	2.3
EBITDA <sup>(1)</sup>	(7.7)	(12.6)	4.9
<b>Net income (loss)</b>	<b>(9.4)</b>	<b>(11.4)</b>	<b>0.6</b>
<b>Basic earnings (loss) per share</b>	<b>(0.23)</b>	<b>(0.28)</b>	<b>0.02</b>
<b>Diluted earnings (loss) per share</b>	<b>(0.23)</b>	<b>(0.28)</b>	<b>0.01</b>
Shares outstanding – weighted average (millions)	40.8	40.8	40.7
Diluted Shares (millions)	40.8	40.8	45.0
<b>Reconciliation of EBITDA to net income (loss)</b>			
Net income (loss)	(9.4)	(11.4)	0.6
Add: Finance costs	2.8	3.6	2.3
Amortization	2.1	3.0	2.8
Deferred income tax expense (recovery)	(3.2)	(7.8)	(0.7)
EBITDA <sup>(1)</sup>	(7.7)	(12.6)	4.9

### Selected Operating Information

	Q1 2026	Q4 2025	Q1 2025
Production – WSPF lumber (MMfbm) <sup>(2)</sup>	21.7	27.8	46.3
Shipments – WSPF lumber (MMfbm) <sup>(2)</sup>	21.5	24.2	38.0
Electricity production (GWh)	36.7	55.3	47.6
Average exchange rate – \$/US\$ <sup>(3)</sup>	0.729	0.717	0.697
Average WSPF 2x4 #2 & Btr lumber price (US\$) <sup>(4)</sup>	\$463	\$422	\$492
Average WSPF 2x4 #2 & Btr lumber price (CDN\$) <sup>(5)</sup>	\$635	\$589	\$706

- (1) Conifex's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization.
- (2) MMfbm represents million board feet.
- (3) Bank of Canada, [www.bankofcanada.ca](http://www.bankofcanada.ca).
- (4) Random Lengths Publications Inc.
- (5) Average WSPF 2x4 #2 & Btr lumber prices (US\$) divided by average exchange rate.

## REVIEW OF FIRST QUARTER 2026 FINANCIAL RESULTS

During the first quarter of 2026, we incurred a net loss of \$9.4 million or \$0.23 per share compared to a net loss of \$11.4 million or \$0.28 per share in the previous quarter, and net income of \$0.6 million or \$0.02 per share in the first quarter of 2025.

Canadian dollar-denominated benchmark WSPF prices, which averaged \$635 in the first quarter of 2026, increased by 8% from the previous quarter and decreased by 10% from the first quarter of 2025. The market price in the first quarter of 2026 was supported by modest seasonal demand recovery, partially offset by ongoing economic uncertainty tied to a softening macro-outlook combined with middle east tensions, and persistent affordability constraints in the U.S. housing market.

U.S. housing starts on a seasonally adjusted annual basis averaged 1.42 million in the first quarter of 2026 compared to 1.32 million in the previous quarter and 1.41 million in the first quarter of 2025.

### ***Lumber Operations***

Our lumber production in the first quarter of 2026 totalled approximately 21.7 million board feet, representing operating rates of approximately 36% of annualized capacity. Our first quarter production represented a decrease of 22% from the 27.8 million board feet produced in the previous quarter, and a decrease of 53% from the 46.3 million board feet produced in the first quarter of 2025. The decrease in production from the previous quarter relates to the end of the production curtailment in mid-February 2026 resulting in less operating days despite being on a 2-shift configuration. The decrease from the first quarter of 2025 was also related to a reduction in operating days in the current quarter.

Shipments of Conifex-produced lumber totaled 21.5 million board feet in the first quarter of 2026, compared to 24.2 million board feet shipped in the previous quarter, and 38 million board feet shipped in the first quarter of 2025. As mentioned above, the decrease in the current quarter relative to the two comparative quarters is a result of lower operating days.

Revenues from lumber products were \$15.0 million in the first quarter of 2026, representing a decrease of 5% from the \$15.8 in the previous quarter and a decrease of 52% from the \$31.3 in the first quarter of 2025. The decrease from the previous quarter was related to lower operating days resulting in less shipments, partially offset by higher sales realizations from a modest increase in commodity pricing. The decrease from the same quarter of the previous year was related to lower operating days resulting in less shipments combined with lower sales realizations from a combination of lower commodity pricing and higher duty and tariff rates.

Cost of goods sold in the first quarter of 2026 declined relative to both the fourth quarter of 2025 and the first quarter of 2025, primarily due to lower production volumes from lower operating days. The first quarter of 2026 saw a decline in unit costs, both in log costs and cash conversion costs, relative to the fourth quarter of 2025 primarily due to a resumption of a 2-shift configuration but saw an increase in both cost metrics relative to the first quarter of 2025 due to the material reduction in operating days.

We expensed countervailing (“CV”) and anti-dumping (“AD”) duty deposits of \$3.0 million in the first quarter of 2026, compared to \$6.0 million in the previous quarter and \$2.8 million in the first quarter of 2025. The decline in duty rates relative to the previous quarter was related to a \$3.2 million non-cash adjustment in the previous quarter for the AR6 finalization. Cumulative duty deposits paid by us, net of certain prior sales of such deposits, since the inception of the current softwood lumber trade dispute total US\$46.0 million.

### ***Bioenergy Operations***

Our Power Plant sold 36.7 GWh of electricity under our EPA with BC Hydro in the first quarter of 2026, representing approximately 66% of targeted operating rates. Our Power Plant sold 55.3 GWh in the fourth quarter of 2025 and 47.6 GWh of electricity in the first quarter of 2025. The lower production in the first quarter of 2026 relative to both comparative periods was primarily attributable to an operational upset in early January resulted in an unplanned outage of approximately 30 days, resulting in lower operating days and corresponding power generation.

Electricity production contributed revenues of \$5.2 million in the first quarter of 2026, \$8.6 million in the previous quarter, and \$7.0 million in the first quarter of 2025. The reduced production in the current quarter was the primary driver of lower revenues compared to both comparative periods.

### ***Selling, General and Administrative Costs***

Selling, general and administrative (“SG&A”) costs were \$1.5 million in the first quarter of 2026, \$1.3 million in the previous quarter and \$1.8 million in the first quarter of 2025. The increase relative to the previous

quarter was largely driven by the completion of our annual audit. The decrease relative to the first quarter of 2025 reflected lower corporate expenses.

### ***Finance Costs and Accretion***

Finance costs and accretion totaled \$2.8 million in the first quarter of 2026, \$3.6 million in the previous quarter and \$2.3 million in the first quarter of 2025. The increase in finance costs in the current quarter relative to the first quarter of 2025 primarily reflects higher overall debt levels driven by additional draws on the Pender Term Loan during 2025 and the BDC Loan drawn in the current quarter.

### ***Gain or Loss on Derivative Financial Instruments***

From time to time, we may enter into lumber future contracts to manage our commodity lumber price or foreign exchange exposures. Gains or losses on derivative instruments are recognized as they are settled or as they are marked to market for each reporting period. There were no outstanding futures contracts in place as at March 31, 2026.

### ***Foreign Exchange Translation Gain or Loss***

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

The US dollar averaged US\$0.729 for each Canadian dollar during the first quarter of 2026, a level which represented a strengthening of the Canadian dollar over the previous quarter. The foreign exchange translation impacts arising from the variability in exchange rates at each measurement period on cash and working capital balances resulted in a foreign exchange translation gain of approximately nil in the first quarter of 2026, compared to a foreign exchange translation loss of \$0.2 million in the previous quarter and a loss of \$0.2 million in the first quarter of 2025.

### ***Income Tax***

We recorded an income tax recovery of \$3.2 million in the first quarter of 2026, an income tax recovery of \$7.8 million in the previous quarter, and an income tax recovery of \$0.7 million in the first quarter of 2025. The decrease in income tax recovery relative to the previous quarter relates to lower operating losses and year end tax reconciliation. The change from the first quarter of 2025 reflects the swing from operating income to operating loss.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities on our balance sheet and the amounts used for income tax purposes. As at March 31, 2026, we have recognized deferred income tax assets of \$24.5 million, compared to \$21.3 million in the previous quarter, and \$6.7 million in the first quarter of 2025. Our deferred income tax asset increased relative to the previous quarter and relative to the first quarter of 2025 due to continued net losses from an increasingly challenging operating environment with elevated duties and tariffs.

**SUMMARY OF FINANCIAL POSITION**

(unaudited, in millions of dollars, unless otherwise noted)	Q1 2026	Q4 2025	Q1 2025
Cash	3.6	4.4	4.2
Cash – restricted	2.5	2.5	2.6
Operating working capital <sup>(1)</sup>	4.8	(1.0)	26.3
Operating loan	0.0	0.0	0.0
Current portion of long-term debt	(12.9)	(86.3)	(10.7)
<b>Net current assets</b>	<b>(2.0)</b>	<b>(80.4)</b>	<b>22.4</b>
Property, plant and equipment	109.3	111.3	114.8
Long-term duty receivable	11.4	11.1	11.0
Other long-term assets	48.6	45.4	30.9
<b>Total net assets</b>	<b>167.3</b>	<b>87.5</b>	<b>179.1</b>
Non-interest bearing long-term liabilities	18.4	18.1	19.0
Long-term debt – CPLP Term Loan	38.4	0	43.4
Long-term debt – other <sup>(2)</sup>	51.3	1.3	30.1
Long-term duty payable	18.9	18.4	0.0
Shareholders' equity	40.4	49.7	86.6
<b>Total liabilities and equity</b>	<b>167.3</b>	<b>87.5</b>	<b>179.1</b>
Ratio of current assets to current liabilities	1.0	0.3	1.6
Net debt to capitalization	70%	62%	47%
Net debt (cash) to capitalization excluding CPLP Term Loan	58%	44%	28%

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

(2) Consists of Pender Term Loan, the BDC Loan and equipment and vehicle leases expiring between 2026 and 2030.

In the first quarter of 2026, operating working capital increased by approximately \$5.8 million over the fourth quarter of 2025, primarily due to the seasonal log inventory build in advance of spring breakup and higher trade receivables from two-shift operations. Operating working capital decreased by approximately \$21.5 million compared to the first quarter of 2025, reflecting lower inventory, lower prepaids, lower trade receivables, and lower trade payables.

Overall debt was approximately \$102.6 million at March 31, 2026, compared to approximately \$87.7 million at December 31, 2025, and approximately \$84.2 million at March 31, 2025. The increase in debt between the first quarter of 2026 and the fourth quarter of 2025 was primarily driven by the \$19.0 million BDC Loan drawn in the current quarter, partially offset by scheduled principal repayments on the Pender and CPLP Term Loans. At March 31, 2026, we had \$46.6 million outstanding on the CPLP Term Loan, \$34.6 million outstanding on the Pender Term Loan and \$19.0 million outstanding under the BDC Loan.

The ratio of current assets to current liabilities was 1.0:1 at March 31, 2026, compared to 0.3:1 at December 31, 2025, and 1.6:1 at March 31, 2025. The change from the prior quarter primarily reflects the reclassification of long-term debt that had been allocated as current due to the going concern note at year end causing a default which was subsequently rectified by getting lender waivers. The change from the first quarter of 2025 is primarily driven by softening of the lumber operating environment from duty rates going from 14.5% in quarter one of 2025 to a combined rate of approximately 45% for duties and tariffs in quarter one of 2026, combined with persistent affordability challenges and a weakened macroenvironment.

We use the net debt to total capitalization ratio to measure our relative debt position and as an indicator of the relative strength and flexibility of our balance sheet. Net debt is calculated as interest-bearing debt less cash. Total capitalization is calculated as the sum of net debt and equity. Net debt at March 31, 2026, increased by approximately \$15.8 million to \$96.5 million from \$80.7 million at December 31, 2025, driven

by the BDC Loan. The net debt to capitalization ratio was approximately 70% at March 31, 2026, 62% at December 31, 2025, and 47% at March 31, 2025.

## LIQUIDITY AND CAPITAL RESOURCES

### Summary of Cash Flows

(unaudited, in millions of dollars)	Q1 2026	Q4 2025	Q1 2025
<b>Cash generated from (used in)</b>			
Operating activities	(14.1)	0.9	(6.6)
Investing activities	(0.0)	(1.4)	0.7
Financing activities	13.3	3.2	6.4
<b>Increase (decrease) in cash</b>	<b>(0.8)</b>	<b>2.7</b>	<b>0.5</b>

### Operating Activities

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

After adjustments for working capital items, net cash outflow from operations was \$14.1 million in the first quarter of 2026, compared to net cash generation of \$0.9 million in the fourth quarter of 2025, and net cash usage of \$6.6 million in the first quarter of 2025. The decrease in operating cash flows in the first quarter of 2026 reflect higher inventory and trade receivables growth in comparison to the previous quarter where we drew down both inventory and trade receivables. Compared to the previous quarter of 2025, the decrease in operating cash flows also pertained to increased trade receivables and inventory growth in conjunction with a material unfavourable swing in net income.

### Investing Activities

Investing activities consumed minimal levels of cash in the first quarter of 2026, utilized \$1.4 million of cash in the fourth quarter of 2025, and generated \$0.7 million in cash in the first quarter of 2025. In all comparative quarters, this is related to capital expenditures or adjustments to carrying value of capital assets.

### Financing Activities

Our financing activities in the first quarter of 2026 generated \$13.3 million, generated \$3.2 million in the fourth quarter of 2025, and generated \$6.4 million in the first quarter of 2025. Our financing activities reflected the new \$19.0 million draw under the BDC Loan, partially offset by principal and interest payments on the CPLP Term Loan and the Pender Term Loan. Similar to the current quarter, the previous quarters cash generation reflect draws on the Pender Term Loan, offset by principal repayments.

### Liquidity

Our principal sources of funds are cash on hand and cash flows from operations. As at March 31, 2026, we had drawn \$34.6 million against the Pender Term Loan, compared to \$38.1 million in the previous quarter, and \$33.5 million in the first quarter of 2025.

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 PenderFund 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.

In February 2026, PenderFund 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.

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 \$34.6 million.

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

At March 31, 2026, we had available liquidity of \$3.6 million, comprised of unrestricted cash. This is a decrease from our available liquidity of \$4.4 million as at December 31, 2025 and a decrease from our available liquidity of \$4.2 million as at March 31, 2025.

Like other Canadian lumber producers, we were required to begin depositing cash on account of softwood lumber duties imposed by the US government in April 2017. Cumulative duties of US\$46.0 million paid by us, net of certain prior sales of such deposits, since the inception of the current softwood lumber trade dispute remain held in trust by the US pending administrative reviews and the conclusion of all appeals of US decisions. We expect future cash flows could be adversely impacted by the CV and AD duty deposits to the extent additional costs on US destined shipments are not mitigated by higher lumber prices.

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

The Company is working collaboratively with its lenders to provide additional accommodations under its existing facilities, including amending payment terms and amortization periods (see note 6). The Company is working with the Government of Canada to obtain financing option under the Large Enterprise Tariff Loan (LETL). The Government of Canada announced the creation of this program on March 21, 2025.

Management has implemented cost saving measures and is deferring non-essential capital expenditures and will continue to evaluate the implementation of such measures on an ongoing basis. Although we believe that the steps we have taken, and that we will continue to take, will result in sufficient liquidity, there can be no assurance that we will be successful or that market conditions will not work to offset our actions. In the near term, we may reevaluate the current scale of our operations at our Mackenzie mill in response to liquidity challenges in order to increase our prospects of maintaining sufficient liquidity to sustain a two-shift operation in the event that lumber prices normalize in the year ahead. Subsequent to quarter end, we announced a 7-week curtailment due to a shortage of availability sawlogs through the seasonal breakup period in the second quarter.

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

As the Pender Term Loan contains a covenant that the Company obtain an unqualified auditor's report, where "unqualified" includes no reference to a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. As a result of the going concern disclosure in Note 1, in the annual financial statements as at and for the year ended December 31, 2025, the Company did not meet this condition at December 31, 2025, and as such, classified the Pender Term Loan as current. Further, the foregoing triggered the same treatment of the CPLP debt pursuant to the terms of the CPLP Term Loan, therefore such amounts were also classified as current as of December 31, 2025.

Under IAS 1 – Presentation of Financial Statements, a Company must apply covenants as at the reporting period date even if compliance with the covenant is assessed only after the reporting period. During the quarter ended March 31, 2026, PenderFund confirmed its waiver of the covenant. As part of the debt agreement with BDC, PenderFund agreed to postpone its rights under an event of default to call the debt for 12 months from March 4, 2026. As a result, both the PenderFund Loan and the CPLP debt were reclassified as current and non-current based upon contractual repayment terms at March 31, 2026.

#### ***Off-Balance Sheet Arrangements***

Our off-balance sheet arrangements as at March 31, 2026 were comprised of standby letters of credit totalling \$3.0 million posted by our subsidiary Conifex Power. The standby letters of credit are issued to BC Hydro in connection with the EPA and the LDA in the event of failure to remit amounts owing to BC Hydro arising from default or termination of the agreements. The standby letters of credit are secured by customary performance bonds.

#### ***Transactions Between Related Parties***

Other than transactions in the normal course of business with key management personnel, we had no transactions between related parties in the first quarter of 2026 or in the comparative quarters.

## SELECTED QUARTERLY FINANCIAL INFORMATION

### Quarterly Earnings Summary (in millions of dollars, except per-share, exchange rate and per-unit figures)

(in millions of dollars, except where otherwise noted)	2026		2025			2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	21.8	26.1	38.2	33.9	44.6	31.0	25.2	31.8
Operating income (loss)	(9.8)	(15.9)	(19.5)	(4.5)	2.3	(3.0)	(6.1)	(9.7)
Net income (loss)	(9.4)	(11.4)	(16.6)	(8.3)	0.6	(11.8)	(3.8)	(9.7)
Net income (loss) per share – basic	(0.23)	(0.28)	(0.41)	(0.20)	0.02	(0.29)	(0.09)	(0.24)
Net income (loss) per share – diluted	(0.23)	(0.28)	(0.41)	(0.20)	0.01	(0.29)	(0.09)	(0.24)
EBITDA <sup>(1)</sup>	(7.7)	(12.6)	(16.6)	(3.2)	4.9	(2.1)	(3.9)	(7.1)
Shares outstanding – weighted average (in millions)	40.8	40.8	40.8	40.8	40.7	40.6	40.6	40.4
Diluted Shares (in millions)	40.8	40.8	40.8	40.8	45.0	40.6	40.6	40.4
<b>Statistics</b> (in millions, except rate, prices and GWh)								
Production – WSPF lumber	21.7	27.8	38.5	35.3	46.3	24.8	31.5	34.0
Shipments – WSPF lumber	21.5	24.2	40.1	38.9	38.0	24.8	29.3	38.5
Shipments – wholesale lumber	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity production – GWh	36.7	55.3	47.6	29.6	47.6	54.2	25.9	38.0
Average exchange rate – \$/US\$ <sup>(2)</sup>	0.729	0.717	0.726	0.723	0.697	0.730	0.733	0.731
Average WSPF 2x4 #2 & Btr lumber price (US\$) <sup>(3)</sup>	\$463	\$422	\$477	\$471	\$492	\$435	\$366	\$386
Average WSPF 2x4 #2 & Btr lumber price (\$) <sup>(4)</sup>	\$635	\$589	\$657	\$651	\$706	\$608	\$500	\$528
<b>Reconciliation of EBITDA to net income (loss)</b>								
Net income (loss) from continuing operations	(9.4)	(11.4)	(16.6)	(8.3)	0.6	(11.8)	(3.8)	(9.7)
Add: Finance costs	2.8	3.6	4.4	2.4	2.3	1.9	1.8	2.8
Amortization	2.1	3.1	3.1	1.9	2.8	3.1	2.4	2.5
Income tax expense (recovery)	(3.2)	(7.8)	(7.5)	0.8	(0.7)	4.6	(4.3)	(2.7)
EBITDA from continuing operations <sup>(1)</sup>	(7.7)	(12.6)	(16.6)	(3.2)	4.9	(2.1)	(3.9)	(7.1)

Our quarterly financial results are impacted by a variety of market related factors, including fluctuations in lumber prices and prices of certain commodities related to by-product revenue and manufacturing inputs, changes in the softwood lumber duty deposits rates on shipments to the U.S., stumpage rates, and foreign exchange rates. Other micro-level factors that influence quarterly financial trends include operating rates, shipment volumes, raw material and manufacturing costs, and transactions of a non-recurring nature.

Quarterly trends are also impacted by the seasonal nature of activities such as logging operations and construction and remodelling activity. Our fibre inventories exhibit seasonal swings as we increase log inventories during the fall and winter months to help maintain adequate supply of fibre to our Mackenzie Mill during the shoulder seasons.

## OUTLOOK

Market conditions for Canadian softwood lumber producers are expected to remain challenging through the remainder of 2026, shaped by a combination of macroeconomic uncertainty, evolving U.S. housing demand, and ongoing trade dynamics. While interest rates in both Canada and the United States have begun to stabilize, affordability pressures continue to weigh on new residential construction activity. It is anticipated that a gradual improvement in U.S. housing starts over the medium term will occur, supported by structural undersupply and aging housing stock, but near-term demand is expected to remain uneven.

Lumber pricing has shown modest improvement from the lows experienced in late 2025, although volatility is likely to persist as supply adjusts to market conditions. Several producers have announced curtailments

or reduced operating schedules, and further supply rationalization may be required to balance markets if demand recovery is slower than anticipated.

Trade uncertainty remains a significant factor for Canadian producers. In April 2026, the U.S. Department of Commerce (“**USDOC**”) released preliminary results for the seventh administrative review of the Softwood Lumber Anti-Dumping and Countervailing Duty Orders. These preliminary rates, which remain subject to change until final determinations are issued later in the year, may influence cash flows and working capital requirements depending on the final outcomes. The Company continues to monitor the review process closely and will record any financial impacts when they become final.

Despite near-term headwinds, the Company believes the long-term fundamentals for lumber remain constructive. Population growth, household formation, and the increasing use of wood in mid-rise and mass-timber construction support a favourable demand outlook. The Company remains focused on operational efficiency, disciplined capital allocation, and cost management to navigate current market conditions while positioning for potential improved pricing and demand.

### **CRITICAL ACCOUNTING ESTIMATES**

We did not make any significant changes to our critical accounting estimates during the quarter ended March 31, 2026. Our critical accounting estimates are described in our MD&A for the year ended December 31, 2025, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **RISKS AND UNCERTAINTIES**

A comprehensive discussion of risk factors impacting our business, assets and operations is included in our 2025 annual information form and our 2025 annual MD&A, and other filings with the Canadian regulatory authorities available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **OUTSTANDING SECURITIES**

As at May 15<sup>th</sup>, 2026 we had 40,767,710 common shares, 4,320,000 warrants and 3,522,679 long-term incentive plan awards outstanding.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

During the quarter ended March 31, 2026, there were no changes that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### **ADDITIONAL INFORMATION**

Additional information about our company, including our 2025 annual information form, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **SUBSEQUENT EVENTS**

On April 9, 2026, The USDOC released its preliminary determination under the seventh Annual Review covering 2024 shipments. The preliminary rates applicable to the Company are 10.66% for antidumping (AD) and 14.17% for countervailing duties (CV), a movement from the prevailing rates of 20.53% (AD) and 14.63% (CV). During 2024, shipments were assessed at weighted average rates of 6.79% (AD) and 3.60% (CV). The preliminary rates remain subject to adjustment ahead of the final determination, which the USDOC is expected to issue in the fourth quarter of 2026. Should the final rates mirror the preliminary determination, we will recognize a non-cash export expense of US\$5.7 million (C\$7.82 million), together with accrued interest of approximately US\$0.77 million (C\$1.05 million), upon publication.

On May 1, 2026, Conifex announced that it would temporarily curtail sawmill operations at its Mackenzie, British Columbia facility for an approximately seven-week period commencing May 19, 2026, with a target restart in July 2026.