

Condensed consolidated interim financial statements of

Conifex Timber Inc.

March 31, 2026

(Unaudited)

Conifex Timber Inc.

Condensed consolidated balance sheets
as at March 31, 2026 (unaudited)

(thousands of Canadian dollars)	Notes	As at March 31, 2026	As at December 31, 2025
		\$	\$
Assets			
<i>Current assets</i>			
Cash		3,633.2	4,433.3
Cash - restricted		2,494.5	2,494.5
Trade and other receivables		11,057.7	6,020.7
Prepaid expenses and deposits		12,771.9	13,758.2
Inventories	4	15,578.4	13,117.7
Current assets		45,535.7	39,824.4
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Property, plant and equipment	5	109,302.8	111,293.3
Intangible assets		3,033.9	3,052.7
Goodwill		1,875.0	1,875.0
Long-term investments and other		30,647.7	30,350.9
Deferred income tax assets	7	24,459.5	21,270.8
Total assets		214,854.6	207,667.1
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Liabilities			
<i>Current liabilities</i>			
Trade payables, accrued liabilities and other payables		30,358.8	30,216.9
Current portion of reforestation obligations		3,204.1	3,099.9
Employee liabilities		1,006.8	555.1
Current portion of long-term debt	6	12,901.7	86,314.0
Current liabilities		47,471.4	120,185.9
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Reforestation obligations		10,914.9	10,364.6
Environmental liabilities		1,294.2	1,294.2
Other long-term liabilities		6,232.4	6,393.4
Long-term debt	6	89,682.3	1,337.4
Long-term duty payable		18,891.8	18,351.2
Non-current liabilities		127,015.6	37,740.8
Total liabilities		174,487.0	157,926.7
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Equity			
Share capital	8	246,391.2	246,391.2
Contributed surplus		45,075.9	45,045.0
Deficit		(251,667.6)	(242,265.3)
Accumulated other comprehensive income		568.1	569.5
Total equity		40,367.6	49,740.4
Total liabilities and equity		214,854.6	207,667.1

Refer to going concern (note 1) and subsequent event (note 12)

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

Conifex Timber Inc.

Condensed consolidated statements of net income (loss) and comprehensive income (loss)
period ended March 31, 2026 (unaudited)

(thousands of Canadian dollars)	Notes	Three months ended March 31,	
		2026	2025
		\$	\$
Revenue	9	21,768.8	44,613.5
Costs and expenses			
Cost of goods sold		23,731.2	31,048.9
Freight and distribution costs		3,357.8	6,646.6
Softwood lumber duties	11	3,026.2	2,771.4
Selling, general and administrative		1,506.7	1,825.9
		31,621.9	42,292.8
Operating income (loss)		(9,853.1)	2,320.7
Gain on disposal of assets		8.8	-
Finance costs and accretion		(2,845.2)	(2,313.4)
Foreign exchange gain (loss)		(23.4)	(172.4)
Other income		112.9	57.1
		(2,746.9)	(2,428.7)
Loss before taxes		(12,600.0)	(108.0)
Income tax recovery:			
Deferred	7	(3,188.7)	(736.5)
		(3,188.7)	(736.5)
Net income (loss)		(9,411.3)	628.5
Other comprehensive income (loss)			
Foreign exchange translation of foreign operations, net of tax		-	(0.3)
Other comprehensive income (loss), net of tax		-	(0.3)
Total comprehensive income (loss) for the period		(9,411.3)	628.2
Net income (loss) per share, basic (in dollars)		(0.23)	0.02
Net income (loss) per share, diluted (in dollars)		(0.23)	0.01

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

Conifex Timber Inc.

Condensed consolidated statements of changes in equity
period ended March 31, 2026 (unaudited)

(thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income	Total equity
	\$	\$	\$	\$	\$
Balance at December 31, 2024	246,391.2	45,478.2	(206,598.8)	570.7	85,841.3
Net loss for the three months ended					
March 31, 2025	-	-	628.5	-	628.5
Repurchase of common shares		-	-	-	-
Recognition of share-based payments		89.7	-	-	89.7
Foreign exchange translation of foreign operations, net of tax	-	-	76.1	(0.4)	75.7
Balance at March 31, 2025	246,391.2	45,567.9	(205,894.2)	570.3	86,635.2
Net loss for the period from April 1, 2025 to December 31, 2025			(36,371.1)		(36,371.1)
Issue of common shares upon vesting of share-based payment		(522.9)			(522.9)
Recognition of share-based payments					-
Foreign exchange translation of foreign operations, net of tax	-	-	-	(0.8)	(0.8)
Balance at December 31, 2025	246,391.2	45,045.0	(242,265.3)	569.5	49,740.4
Net loss for the three months ended					
March 31, 2026	-	-	(9,411.3)	-	(9,411.3)
Repurchase of common shares	-	-	-	-	-
Recognition of share-based payments	-	30.9	-	-	30.9
Foreign exchange translation of foreign operations, net of tax	-	-	9.0	(1.4)	7.6
Balance at March 31, 2026	246,391.2	45,075.9	(251,667.6)	568.1	40,367.6

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

Conifex Timber Inc.

Condensed consolidated statements of cash flows period ended March 31, 2026 (unaudited)

(thousands of Canadian dollars)	Three months ended March 31,	
	2026	2025
	\$	\$
Cash flows from operating activities		
Net income (loss)	(9,411.3)	628.5
Items not affecting cash:		
Amortization and depreciation	2,016.8	2,763.2
Change in reforestation obligations	654.7	1,300.6
Finance costs and accretion	2,845.2	2,271.3
Income tax expense (recovery)	(3,188.7)	(736.5)
Share-based compensation	30.8	89.7
Load Displacement Agreement accretion	(156.9)	(156.9)
Share of loss of joint venture	9.0	(851.9)
	(7,200.4)	5,308.0
Change in:		
Trade and other receivables	(5,037.1)	(6,285.5)
Prepaid expenses and deposits	492.2	1,189.0
Inventories	(2,460.7)	(8,809.9)
Trade payables, accrued liabilities and other payables	(317.1)	1,334.7
Employee liabilities	451.7	660.5
Net cash provided from (used in) operating activities	(14,071.4)	(6,603.2)
Cash flows from investing activities		
Additions to property, plant and equipment	(20.6)	702.4
Net cash provided from (used in) investing activities	(20.6)	702.4
Cash flows from financing activities		
Repayment of leases	(324.6)	(295.2)
Advance of BDC Term Loan	19,000.0	-
Advance (repayment) of term loan	(3,746.9)	7,118.4
Financing fees	(249.2)	349.7
Interest paid	(1,386.0)	(2,121.3)
Change in restricted cash	-	1,380.6
Net cash provided from (used in) financing activities	13,293.3	6,432.2
Net increase (decrease) in cash	(798.7)	531.4
Foreign exchange effect on cash	(1.4)	(0.3)
Cash, beginning of period	4,433.3	3,644.6
Cash, end of period	3,633.2	4,175.7

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

Conifex Timber Inc.

Notes to the condensed consolidated interim financial statements

March 31, 2026 (unaudited)

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

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company's financial statements have been prepared under the assumption that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the ordinary course of business for the foreseeable future.

The Company's financial results have been continuously impacted by duty and tariff increases imposed by the United States of America on softwood lumber imports. The uncertainty and impact of duties and tariffs related to generating positive cash flows from operations are unknown and indeterminable at this time. This has resulted in higher costs and reduced margins, creating uncertainty regarding future operating cash flows and profitability. After adjustments for working capital items, net cash outflow from operations was \$14.0 million for the three months ended March 31, 2026. The Company funded duty deposits of \$3.0 million for three months ending March 31, 2026. Consequently, net working capital at March 31, 2026 was \$0.1 million including cash of \$3.6 million. As a result, the Company has determined there is material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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.

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

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

The address of its registered office is Suite 2200, 1021 West Hastings Street, Vancouver, BC V6E 0C3

2. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

The consolidated financial statements of Conifex have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IFRS Account Standards).

The consolidated financial statements were approved by the Board of Directors on May 14, 2026.

2.2 Basis of measurement

Conifex Timber Inc.

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The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2.3 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses are eliminated on consolidation, where appropriate. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

2.4 Functional and presentation currency

The Canadian dollar is the functional and presentation currency of the Company.

2.5 Foreign currency translation

Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in earnings.

Foreign operations with a functional currency that differs from the Company's presentation currency have their assets and liabilities translated using the rate of exchange prevailing at the reporting date. Revenues and expenses are measured at average rates during the period. Foreign exchange differences are recognized in other comprehensive income.

2.6 Cash

In the consolidated statement of cash flows, cash includes cash on hand, deposits held with banks, and other short-term highly liquid investments.

2.7 Financial instruments

(a) Non-derivative financial instruments

The Company measures non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market at amortized cost using the effective interest rate method. The amortized costs are reduced by any impairment losses. These financial assets are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the asset have been impacted.

(b) Derivative financial instruments

The Company at times utilizes derivative financial instruments to manage its commodity lumber price exposures in the ordinary course of business and interest rate variability. Lumber derivatives are classified as financial assets at fair value through profit and loss ("FVTPL"). These financial assets are initially recognized at fair value on the date a lumber derivative contract is entered into and are subsequently re-measured at their fair value. The fair values are determined by using observable market inputs for identical assets and liabilities and thus reflect

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the estimated amount that the Company would have paid or received if required to settle all outstanding contracts at period end. The resulting gain or loss is recognized as a gain (loss) on lumber derivative instruments in the statement of net income each period unless the lumber derivative is designated as a hedging instrument under IFRS. If the lumber derivative is designated as a hedging instrument, any unrealized gains or losses are deferred and recognized in earnings when the related hedge transaction occurs.

(c) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new common shares or options are shown in equity as a deduction from the proceeds.

3. SEASONALITY OF OPERATIONS

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

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

4. INVENTORIES

	March 31, 2026	December 31, 2025
	\$	\$
Logs	2,758.6	955.6
Lumber	4,874.0	4,164.1
Supplies	7,602.9	7,437.1
By-products	342.9	560.9
	15,578.4	13,117.7

The above inventory balances are stated after inventory write-downs from cost to net realizable value. Inventory has been written down by \$3.2 million at March 31, 2026 (December 31, 2025 – \$3.0 million). Write-downs are included in cost of goods sold when incurred.

5. PROPERTY, PLANT AND EQUIPMENT

Conifex Timber Inc.

Notes to the condensed consolidated interim financial statements

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

	Land	Buildings / equipment	ROU assets	Capital work in progress	Total
	\$	\$	\$	\$	\$
<i>Cost</i>					
At December 31, 2024	2,912.8	218,307.8	5,406.5	3,496.1	230,123.2
Net additions	-	4,104.2	235.1	4,269.3	8,608.6
Disposals	-	(299.0)	-	(4,111.4)	(4,410.4)
At December 31, 2025	2,912.8	222,113.0	5,641.6	3,654.0	234,321.4
Net additions	-	-	-	78.3	78.3
Disposals	-	-	(62.0)	-	(62.0)
At March 31, 2026	2,912.8	222,113.0	5,579.6	3,732.3	234,337.7
<i>Accumulated depreciation</i>					
At December 31, 2024	-	(109,071.4)	(3,562.6)	-	(112,634.0)
Depreciation charge for the year	-	(10,163.2)	(529.9)	-	(10,693.1)
Disposals	-	299.0	-	-	299.0
At December 31, 2025	-	(118,935.6)	(4,092.5)	-	(123,028.1)
Depreciation charge for the period	-	(1,919.3)	(145.8)	-	(2,065.1)
Disposals	-	-	58.2	-	58.2
At March 31, 2026	-	(120,854.9)	(4,180.1)	-	(125,035.0)
<i>Carrying amount</i>					
At December 31, 2025	2,912.8	103,177.4	1,549.1	3,654.0	111,293.3
At March 31, 2026	2,912.8	101,258.1	1,399.5	3,732.3	109,302.7

6. BORROWINGS

	March 31, 2026	December 31, 2025
	\$	\$
Non-current		
Leases (a)	1,332.7	1,611.1
CPLP Term Loan (b)	38,399.6	-
PenderFund Term loan (c)	30,950.0	-
BDC Term loan (d)	19,000.0	-
Total non-current borrowings	89,682.3	1,611.1
Current		
Current portion of leases (a)	1,054.2	1,081.4
Current portion of CPLP Term Loan (b)	8,197.5	46,908.9
Current portion of PenderFund Term loan (c)	3,650.0	38,050.0
Total current borrowings	12,901.7	86,040.3
Total borrowings	102,584.0	87,651.4

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

(a) Leases

Leases are for office spaces, mobile and other equipment. The leases expire between 2026 and 2031 and the weighted average incremental borrowing rate is 6.5% per annum. The principal balance outstanding at March 31, 2026 was \$2.4 million (December 31, 2025 – \$2.3 million).

Interest expense on lease obligations for the three months ended March 31, 2026 was \$0.1 million (year ended December 31, 2025 – \$0.1 million), Total payments for leases, including interest, in the period was \$ nil (year ended December 31, 2025 – \$0.9 million).

(b) CPLP Term Loan

CPLP, a wholly-owned subsidiary of the Company, completed a \$70.0 million secured term loan (the "CPLP Term Loan") with a syndicate of private lenders in October 2018. The CPLP Term Loan is for a term of 15 years, repayable quarterly commencing December 2018 and bore interest at a fixed rate of 6.1% per annum. In March 2024, CPLP amended the CPLP Term Loan to, among other things, release certain restricted cash thereunder, the proceeds of which were applied to pay down the PenderFund Term Loan (as defined below). Following this amendment, the CPLP Term Loan bears interest at a stepped-up interest rate per annum commencing at 7.35%.

The CPLP Term Loan is primarily secured by a first priority security interest on existing and after acquired assets of the bioenergy operations. The CPLP Term Loan is substantially non-recourse to the Company's other operations. We continue to work on additional amendments that would allow us to remain in compliance with our obligations under the CPLP Term Loan. There can be no assurance that any such amendments will be agreed to on terms acceptable to Conifex or at all. If Conifex is unsuccessful in negotiating such amendments or is unable to obtain a permanent or temporary waiver in lieu thereof, the lenders thereunder may seek remedies for any uncured defaults by Conifex of its contractual obligations under the CPLP Term Loan. During discussion with our lenders, the September principal payment was waived, and December principal payment has been deferred.

As at March 31, 2026, CPLP held \$2.5 million of cash in restricted accounts (December 31, 2025 – \$2.5 million). Funds from restricted accounts are distributed in accordance with the terms of the CPLP Term Loan. Deferred financing costs of \$0.6 million were netted against the CPLP Term Loan as at March 31, 2026 (December 31, 2025 – \$1.5 million).

(c) PenderFund Term Loan

On June 12, 2024, the Company entered a \$25.0 million secured term loan (the "PenderFund Term Loan") with Pender Corporate Bond Fund ("PenderFund").

In January 2025, we amended the PenderFund Term Loan to increase the aggregate principal amount thereunder to up to \$41 million, of which \$5 million was drawn immediately and the remaining \$11 million was subject to completion of financial due diligence. 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 \$4.0 million, and in October 2025, we drew an additional \$1.0 million (collectively, the "Second Advance"), which we have agreed to repay on the later of January 31, 2027 and twelve months after funding the BDC Loan.

In December 2025, we drew an additional \$3.0 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.

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

In March 2026, the Third Advance and the Fourth Advance of \$8.0 million were repaid following Conifex's completion of the BDC Loan. The total aggregate principal amount outstanding under the PenderFund Term Loan as at the date hereof is approximately \$34.6 million.

In connection with the BDC Loan, Conifex, together with certain of its wholly-owned subsidiaries, BDC (as defined below), and PenderFund, entered into a priority agreement pursuant to which, among other things, PenderFund agreed that for a period of twelve months as of March 2026, it would not, without BDC's prior written consent, cancel or restrict the availability of the PenderFund 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.

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, PenderFund has received a total of 4,320,000 warrants, with each warrant being exercisable into one common share for a period of five years on payment of \$0.50 per warrant.

As the PenderFund 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 PenderFund debt 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.

(d) BDC Term Loan under the Softwood Lumber Guaranteed Program

On March 4, 2026, the Company entered a secured term loan with the Business Development Bank of Canada (BDC) for \$19.0 million under the Softwood Lumber Guaranteed Program. All loan proceeds were received on March 5, 2026.

The loan has a maturity date of July 15, 2033 with a floating interest rate minus a variance of 0.60% per year and secured by the Company's lumber business assets. The loan allows for interest-only payments until August 2028.

7. INCOME TAX

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

	Three months ended March 31,	
	2026	2025
	\$	\$
Deferred	(3,188.7)	(736.5)

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

	Three months ended March 31,	
	2026	2025
	\$	\$
Loss before taxes	(12,600.0)	(108.0)
Income tax expense at corporation rate of 27.0% (2025 – 27.0%)	(3,402.0)	(29.2)
Non-deductible (non-taxable) items for tax purposes	167.3	(1,036.0)
Rate differentials between jurisdictions	-	-
Change in deferred tax assets not recognized	(77.6)	-
Other	123.6	328.7
Total income tax recovery	(3,188.7)	(736.5)

8. SHARE CAPITAL

Common share activity of the Company is as follows:

	Number of common shares (in thousands)	Amount \$
Balance at December 31, 2024 and March 31, 2025	40,767	246,391.2
Balance at December 31, 2025 and March 31, 2026	40,767	246,391.2

9. REVENUE

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

	Three months ended March 31,	
	2026	2025
	\$	\$
Lumber	14,880.8	31,274.6
Lumber by-products and other	1,668.0	6,334.8
Bioenergy	5,220.0	7,004.1
	21,768.8	44,613.5

Revenues by geographic area were as follows:

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	Three months ended March 31,	
	2026	2025
	\$	\$
United States	12,949.2	27,247.8
Canada	8,819.6	17,365.7
	21,768.8	44,613.5

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

10. FINANCIAL INSTRUMENTS

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

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

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

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

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

The Company did not hold any financial instrument measured at fair value at March 31, 2026 and December 31, 2025.

11. COUNTERVAILING AND ANTI-DUMPING DUTIES

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

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

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

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

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

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

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

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

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

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

The final combined rate will be applied to new lumber shipments, and an accounting entry was required to capture the difference between the initial deposit rate and the final combined "all-others" rate on 2023 lumber shipments. Based on the final combined "all-others" rate, we recorded a non-cash additional duty expense exclusive of interest of \$15.3 million.

On April 9, 2026, the USDOC announced preliminary results from the seventh administrative, the CV and AD rates are 14.17% and 10.66% respectively. These rates will not be taken into account until August 2026 at the earliest.

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

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

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

The Company expensed CV and AD duty deposits totaling \$3.0 million in the three months ended March 31, 2026 (year ended December 31, 2025 – \$22.8 million), based on the cash deposit rates in effect at the time of the shipment.

Notwithstanding the cash deposit rates and published final rates assigned under the investigations, the Company's final liability for the assessment of CV and AD will not be determined until each annual administrative review process is complete and related appeal processes are completed. Cumulative duties of US\$ 46.0 million paid by the Company, net of sales of the right to refunds, since the inception of the current trade dispute remains held in trust by the US pending the administrative reviews and conclusion of all appeals of US decisions.

On March 31, 2026, the net duty payable of \$18.9 million (December 31, 2025 - \$7.2 million) and interest accrued on the net duty recoverable is included on the Company's condensed consolidated balance sheet as a long-term receivable, reflecting the difference between the cash deposit rate in effect and the final published CV and AD rates for the period between January 1, 2019 and December 31, 2023.

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Like other Canadian forest product companies, the Federal Government and Canadian provincial governments, the Company denies the US allegations and strongly disagrees with the current CV and AD determinations made by the USDOC. The Federal Government has proceeded with legal challenges under the North American Free Trade Agreement (now the United States-Mexico-Canada Agreement "USMCA") and through the World Trade Organization, where Canadian litigation has proven successful.

12. SUBSEQUENT EVENT

Curtailment

The Company will temporarily curtail sawmill operations at its Mackenzie, British Columbia facility starting May 19, 2026.

Countervailing and Anti-dumping duties

The USDOC released its preliminary determination under the seventh Annual Review on April 9, 2026, 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.