CONIFEX TIMBER INC.

2025 MANAGEMENT'S DISCUSSION AND ANALYSIS

March 21, 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 fiscal year ended December 31, 2025 relative to 2024. This MD&A should be read together with our audited consolidated financial statements for the year ended December 31, 2025 and notes thereon, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and filed under Conifex's profile on SEDAR+ at www.sedarplus.ca.*

In this MD&A, reference is made to "EBITDA". EBITDA represents earnings before finance costs, taxes, depreciation and amortization. We disclose EBITDA as it is a measure used by analysts and by our management to evaluate our performance. As EBITDA is not a generally accepted earnings measures under IFRS, and neither has a standardized meaning been prescribed by IFRS, our EBITDA 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 MD&A, reference is also made to net debt and net debt to total capitalization which we consider to be relevant performance indicators that are not generally accepted under IFRS. Therefore, these indicators, defined herein, may not be directly comparable with similarly titled measures used by other companies. In this MD&A, all references to "$" are to Canadian dollars and references to "US$" are to United States dollars.

Forward-Looking Statements

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

Examples of such forward-looking information that may be contained in this document include statements regarding: the availability and use of credit facilities or proceeds therefrom; our level of liquidity, our ability to service our debt, and our ability to amend our debt repayment terms and timing, as necessary; 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.

Persons reading this 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 filings with the Canadian Securities Regulatory Authorities available under Conifex's profile on SEDAR+ at www.sedarplus.ca. 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 bioenergy 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 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 the Mackenzie Mill and the Power Plant, we are continuously reviewing strategic opportunities that may increase shareholder value.

RECENT DEVELOPMENTS

Softwood Lumber Guarantee Program Term Loan

Subsequent to year end, 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. ("**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 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 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.

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 Section 232 tariffs on Canadian softwood lumber shipped to the United States.

In early February 2026, Conifex resumed operations at the Mackenzie Mill under 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. 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.

Softwood Lumber Duties and Section 232 Tariffs

Throughout 2025, Conifex's financial results were impacted by a series of increases in US softwood lumber duties and tariffs. At the beginning of 2025, the combined countervailing duty ("**CVD**") and anti-dumping duty ("**ADD**") rate applicable to Conifex was 14.40%, following the finalization of the fifth administrative review ("**AR5**") by the US Department of Commerce ("**USDOC**").

In September 2025, the USDOC announced the final duty rates for the sixth administrative review ("**AR6**"), covering imports from January 1, 2023 to December 31, 2023. The final combined CVD and ADD rate was set at 35.16%, comprised of a CVD rate of 14.63% and an ADD rate of 20.53%. The AR6 finalization represented a significant increase from the prior combined rate of 14.40% and resulted in a non-cash additional duty expense of approximately $15.3 million in 2025 to account for the difference between prior deposit rates and the final AR6 rates on 2023 lumber shipments.

Effective October 14, 2025, the US administration imposed an additional 10% tariff (the "**Section 232 Tariff**") on all softwood lumber imported into the United States under Section 232 of the *Trade Expansion Act of 1962*, following an investigation initiated by executive order on March 1, 2025. The Section 232 Tariff applies on top of the existing CVD and ADD rates, bringing the combined duty and tariff rate applicable to Conifex to 45.16%. In 2025, we paid $340,000 in Section 232 Tariffs.

As a result of these increases, total duty expense for 2025 was $26.1 million, inclusive of the $15.3 million non-cash AR6 adjustment, compared to $4.4 million in 2024. Cumulative duties of US$46 million paid by Conifex, net of certain prior sales of the right to refunds, since the inception of the current softwood lumber trade dispute remain held in trust by the US Department of Treasury pending administrative reviews and the conclusion of all appeals of US decisions. Cash duty deposits paid in 2025 increased significantly compared to the prior year as a result of higher shipments, higher lumber prices, and the higher deposit rates in effect following the AR6 finalization and the imposition of the Section 232 Tariff.

SUMMARY OF 2025 RESULTS

We had a net loss of $35.7 million or $0.87 per share in 2025. Our net loss in 2024 was $29.8 million or $0.73 per share.

Continuing operations for the comparative periods discussed in this MD&A comprise operating results from our Mackenzie Mill and Power Plant. Operating and financial results in 2025 were negatively impacted by materially higher softwood lumber duty deposits as a result of the finalization of AR6 combined with the imposition of the Section 232 Tariff, which together resulted in $26.1 million in duty expenses in 2025, including a $15.3 million non-cash adjustment for the finalization of AR6, compared to $4.4 million in total duty expense in 2024. These duty and tariff headwinds more than offset the benefit of higher lumber revenues driven by increased shipment volumes and improved average lumber prices.

Selected Financial Information[1]

(in millions of dollars, except earnings per share, share information and select Operating Information)	**2025**	**2024**	**2023**
Revenue			
Lumber – Conifex produced	101.0	93.5	95.3
Lumber – wholesale	0.0	0.0	3.6
By-products and other	16.2	10.6	18.1
Bioenergy	25.6	23.7	24.1
	142.7	127.7	141.1
Operating income (loss)	(37.6)	(25.9)	(38.7)
EBITDA from continuing operations[2]	(27.5)	(13.6)	(25.8)
Net income (loss) from continuing operations	(35.7)	(29.8)	(30.6)
Net income (loss)	**(35.7)**	**(29.8)**	**(30.6)**
Basic earnings (loss) per share	**(0.87)**	**(0.73)**	**(0.77)**
Diluted earnings (loss) per share	**(0.87)**	**(0.73)**	**-**
Shares outstanding – weighted average (millions)	40.8	40.6	40.0
Diluted shares outstanding (millions)	40.8	40.6	40.0
Reconciliation of EBITDA to net income (loss)			
Net income (loss) from continuing operations	(35.7)	(29.8)	(30.6)
Add: Finance costs	12.7	8.0	5.0
Amortization	10.8	11.2	11.7
Income tax expense (recovery)	(15.3)	(3.0)	(11.9)
EBITDA from continuing operations[2]	(27.5)	(13.6)	(25.8)

Selected Operating Information

Production – WSPF[3] lumber (MMfbm)[4]	147.9	134.8	155.8
Shipments – WSPF[3] lumber (MMfbm)[4]	141.1	137.2	152.6
Shipments – wholesale lumber (MMfbm)[4]	0	0	4.1
Electricity production (GWh)	179.0	174.1	177.6
Average exchange rate –$/US$[5]	0.716	0.730	0.741
Average WSPF 2x4 #2 & Btr lumber price (US$)[6]	$466	$408	$391
Average WSPF 2x4 #2 & Btr lumber price ($)[7]	$651	$559	$528

(1) Reflects results of continuing operations, except where otherwise noted.
(2) Conifex's EBITDA calculation represents earnings before finance costs, taxes, and depreciation and amortization.
(3) WSPF refers to Western Spruce/Pine/Fir
(4) MMfbm represents million board feet.
(5) Bank of Canada, www.bankofcanada.ca.
(6) Random Lengths Publications Inc.
(7) Average SPF 2x4 #2 & Btr lumber prices (US$) divided by average exchange rate.

REVIEW OF 2025 FINANCIAL RESULTS

Lumber Operations

Our lumber production was 147.9 million board feet in 2025 reflecting an annualized operating rate of 62%. Lumber production in 2025 benefited from higher operating rates in the first half of the year but was impacted by curtailments and modified operating configurations in the second half of 2025 in response to lower lumber prices and higher duty deposit rates and tariff impositions. Lumber production in 2024 was 134.8 million board feet, reflecting an annualized operating rate of 56%.

Shipments of Conifex produced lumber totaled 141.1 million board feet in 2025. Shipments of Conifex produced lumber increased by 3% from 2024, primarily due to higher production output earlier in the year amidst stronger US and Canadian customer demand.

Revenues from lumber products were $101.0 million in 2025 and represented an increase of 7% from 2024. Higher revenues were driven by a combination of higher average benchmark lumber prices in 2025 and increased shipment volumes compared to 2024, particularly in the first half of the year prior to the imposition of materially higher duty rates following the AR6 finalization and the application of the Section 232 Tariff.

In 2025, the North American lumber market was characterized by improving benchmark prices earlier in the year followed by increased volatility resulting from elevated duty deposit rates and tariff uncertainty. In 2025, US housing starts on a seasonally adjusted annual basis averaged approximately 1.37 million starts, broadly flat with 2024 levels. The decreased overall lumber production capacity of Western Spruce/Pine/Fir ("**WSPF**") resulted in a 16% increase in the average Canadian dollar-denominated WSPF lumber price, from $559 in 2024 to $651 in 2025. While benchmark prices improved, mill level sales realizations did not necessarily demonstrate the same strengthening due to the imposition of higher duty and tariff rates.

Cost of goods sold in 2025 increased by 6% from 2024, primarily driven by higher production volumes and a $3.0 million non-cash inventory write-down recorded in the fourth quarter. Overall production costs in 2025 were substantially lower than 2024 on a per-unit basis in the first half of the year due to both reduced log costs and lower cash conversion cost but materially increased in the fourth quarter as log costs increased and operating rates declined, which lead to less volume over which to spread fixed costs. We recorded an inventory valuation adjustment of $3.0 million at December 31, 2025, reflecting inventoried costs in excess of projected net realizable value. There was no inventory valuation adjustment at December 31, 2024.

We expensed CVD and ADD deposits and tariffs of $26.1 million in 2025, an increase of 493% from 2024. The duty deposit rate was 14.40% until July 28, 2025. Following finalization of AR6 in September 2025, the combined CVD and ADD rate increased to 35.16%. Effective October 14, 2025, an additional 10% Section 232 Tariff was imposed, bringing the combined duty and tariff rate to 45.16%. In connection with the AR6 finalization, we recorded a non-cash additional duty expense, exclusive of interest, of $15.3 million in 2025.

The following table reconciles cash deposits paid during the year to the amount recognized in our statement of net income and comprehensive income.

(in millions of dollars)	**2025**	**2024**	**2023**
Softwood lumber duty impact			
Cash deposits paid	10.8	5.6	4.7
Adjustment to final published rates	15.3	(1.2)	(1.7)
Softwood lumber duties, net	26.1	4.4	3.0

Cash deposits paid during 2025 increased significantly compared to the previous year due to the effect of materially higher cash deposit rates following the finalization of AR6 in September 2025 and the imposition of the Section 232 Tariff effective October 14, 2025.

Since the commencement of the imposition of CVD and ADD deposits, we have recognized an aggregate net payable of $7.2 million, including the prescribed interest rates to the overpayments, pertaining to the difference between the cash deposit rates in effect at the time of applicable shipments made to the US market and the final published rates for such shipments. This net duty payable has been recorded as the associated long-term receivable and corresponding long-term payable on our balance sheet.

Cumulative duties of US$46.0 million paid by Conifex net of sales since inception of the current trade dispute remain held in trust by the US pending the conclusion of all appeals of US decisions. We have recorded the duty deposits as an expense, except for US$8.1 million, which are recorded as a long-term receivable as noted above.

Bioenergy Operations

Our Power Plant sold 179.0 GWh of electricity under our EPA with BC Hydro in 2025, representing approximately 80% of targeted operating rates. In 2024, our Power Plant sold 174.1 GWh of electricity, representing approximately 78% of targeted operating rates. The increase in 2025 production was primarily driven by improved operational availability which was a second derivative of increased fibre availability from increased operating time for our Mackenzie Mill.

Electricity production contributed revenues of $25.6 million in 2025, an increase of $1.9 million, or 8% over 2024. Total revenue for 2024 was $23.7 million.

In 2022, we took steps to develop two high-performance computing ("**HPC**") data centres in the interior region of BC, which were structured to capitalize on our experience designing, constructing, and operating large-scale electric power infrastructure in northern BC, including entering into two System Impact Study Agreements at locations identified by BC Hydro. However, in January 2023, BC Hydro informed us that interconnection activities at our two sites would not be advanced and we were removed from the interconnection queue. Subsequently, we filed a notice of civil claim against BC Hydro in the Supreme Court of British Columbia seeking an order requiring BC Hydro to supply service to our HPC projects and damages for breach of contract and BC Hydro's duty of good faith. It is our view that Conifex has suffered and continues to suffer damages, including but not limited to the opportunity to obtain power for HPC centres and derive associated revenues and profits from such centres.

Selling, General and Administrative Costs

Selling, general and administrative ("**SG&A**") costs of $5.8 million in 2025 reflected a decrease of 19% from $7.2 million in 2024. The year-over-year decrease is primarily attributable to lower salaries and benefits costs from a reduction in full-time equivalents and lower legal and professional fees.

Finance Costs and Accretion

Finance costs and accretion relate primarily to our Pender Term Loan supporting our sawmill operations and the term loan supporting our bioenergy operations (the "**Power Term Loan**"). Finance costs and accretion of $12.7 million in 2025 were 59% higher than finance costs of $8.0 million in 2024, primarily a result of higher interest expense due to the additional draws under the Pender Term Loan throughout 2025 and non-cash interest accrued in connection with the finalization of AR6 duty rates.

Gain or Loss on Derivative Financial Instruments

From time to time, we may enter into lumber future contracts to manage our commodity lumber price exposures. We do not use derivatives for trading or speculative purposes. Gains or losses on lumber derivative instruments are recognized as they are settled or as they are marked to market for each reporting period.

During 2025, we did not enter into any lumber futures contracts, and we had no outstanding futures contracts in place as at December 31, 2025.

Other Income

We recognized other income of $0.5 million in 2025, primarily from a one-off transaction related to the closure of a legacy account. We recognized other income of $3.1 million in 2024, which was primarily comprised of insurance proceeds from the loss of a logging camp.

Foreign Exchange Translation Gain or Loss

Foreign exchange translation gain or loss 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$0.716 for each Canadian dollar during 2025, a level which represented a further weakening of the Canadian dollar over the previous year.

The foreign exchange translation impacts arising from the variability in exchange rates at each measurement period on cash, duties on deposit, and working capital balances resulted in a foreign exchange translation loss of $1.2 million in 2025, compared to a foreign exchange translation gain of $1.2 million in 2024.

Income Tax

We recorded income tax recovery in 2025 of $15.3 million, compared to income tax recovery of $3.0 million in 2024. Our effective tax rate was 27% in the current year and 27% in 2024. See note 19 of our consolidated financial statements for the years ended December 31, 2025 and 2024 for a reconciliation of income taxes calculated at the statutory rate to the income tax expense.

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 December 31, 2025, we have recognized a deferred income tax liability of nil and a deferred tax asset of $21.3 million.

SUMMARY OF FOURTH QUARTER 2025 RESULTS

The following table summarizes our net operating results in the fourth quarter of 2024 and comparative periods.

Selected Financial Information

(unaudited, in millions of dollars, except share and exchange rate information)	Q4 2025	Q3 2025	YTD 2025	Q4 2024	YTD 2024
Revenue					
Lumber – Conifex produced	15.8	26.4	101.0	21.2	93.5
Lumber – wholesale	0.0	0.0	0.0	0.0	0.0
By-products and other	1.7	4.9	16.2	2.3	10.6
Bioenergy	8.6	7.0	25.6	7.6	23.7
	26.1	38.2	142.7	31.0	127.7
Operating income (loss)	(15.9)	(19.5)	(37.6)	(3.0)	(25.9)
EBITDA[1]	(12.6)	(16.6)	(27.5)	(2.1)	(13.6)
Net income (loss)	**(11.4)**	**(16.6)**	**(35.7)**	**(11.8)**	**(29.8)**
Basic earnings (loss) per share	**(0.28)**	**(0.41)**	**(0.87)**	**(0.29)**	**(0.73)**
Diluted earnings (loss) per share	**(0.28)**	**(0.41)**	**(0.87)**	**(0.29)**	**(0.73)**
Shares outstanding – weighted average (millions)	40.8	40.8	40.8	40.6	40.6
Diluted Shares (millions)	40.8	40.8	40.8	40.6	40.6

Reconciliation of EBITDA to net income (loss)					
Net income (loss)	(11.4)	(16.6)	(35.7)	(11.8)	(29.8)
Add: Finance costs	3.6	4.4	12.7	1.9	8.0
Amortization	3.0	3.1	10.8	3.1	11.2
Income tax expense (recovery)	(7.8)	(7.5)	(15.3)	4.6	(3.0)
EBITDA[1]	(12.6)	(16.6)	(27.5)	(2.1)	(13.6)

Selected Operating Information

Production – WSPF lumber (MMfbm)[2]	27.8	38.5	147.9	24.8	134.8
Shipments – WSPF lumber (MMfbm)[2]	24.2	40.1	141.1	24.8	137.2
Shipments – wholesale lumber (MMfbm)[2]	0.0	0.0	0.0	0.0	0.0
Electricity production (GWh)	55.3	47.6	179.0	54.2	174.1
Average exchange rate –$/US$[3]	0.717	0.726	0.716	0.715	0.730
Average WSPF 2x4 #2 & Btr lumber price (US$)[4]	$422	$477	$466	$435	$408
Average WSPF 2x4 #2 & Btr lumber price (CDN$)[5]	$589	$657	$651	$608	$559

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

REVIEW OF FOURTH QUARTER 2025 FINANCIAL RESULTS

During the fourth quarter of 2025, we incurred a net loss from continuing operations of $11.4 million or $0.28 per share compared to a net loss of $16.6 million or $0.41 per share in the previous quarter and a net loss of $11.8 million or $0.29 per share in the fourth quarter of 2024. The net loss in the fourth quarter of 2025 was primarily driven by lower lumber shipment volumes and higher unit manufacturing costs at reduced operating rates, combined with a $1.8 million non-cash inventory write-down, partially offset by a significant deferred income tax recovery of $7.8 million.

North American lumber market prices were below breakeven levels in the fourth quarter of 2025 for most Canadian producers subject to elevated levels of duties and tariffs. Canadian dollar-denominated benchmark WSPF prices, which averaged $600 in the fourth quarter, decreased by 9% from the previous quarter and decreased by 2% from the fourth quarter of 2024.[1] The decrease in market prices quarter over quarter were largely attributed to the uncertainty around digesting the newly elevated duties and tariffs, and widespread curtailments across the market were seen as a result. Housing affordability levels remained a challenge as a result of stubbornly high mortgage interest rates due to strong bond yields from a stronger than expected US economy. US housing starts on a seasonally adjusted annual basis averaged approximately 1.35 million in the fourth quarter of 2025, broadly consistent with levels in the fourth quarter of 2024.[2]

Lumber Operations

We produced 27.8 million board feet of lumber in the fourth quarter of 2025, representing approximately 46% of capacity on an annualized basis. Lumber production was negatively affected by a reduced operating configuration in response to unfavourable market conditions and the impact of higher duty deposit rates on operating economics, including a period of single shift operations and nearly a month-long curtailment to end the year. In the previous quarter, lumber production totaled 38.5 million board feet. Lumber production of 24.8 million board feet or approximately 40% of operating capacity in the fourth quarter of 2024 was impacted by single shift operations for the entirety of the quarter.

Shipments of Conifex produced lumber totaled 24.2 million board feet in the fourth quarter of 2025, representing a decrease of 40% from the 40.1 million board feet of lumber shipped in the previous quarter. Shipments in the fourth quarter of 2024 totalled 24.8 million board feet. Lumber shipments in the current quarter were constrained by lower lumber production due to curtailments and reduced operating rates in response to unfavourable market conditions and elevated duty and tariff rates.

Revenues from lumber products were $15.8 million in the fourth quarter of 2025, compared to $26.4 million in the previous quarter and $21.2 million in the fourth quarter of 2024, representing a decrease of 40% from the previous quarter and a 25% decrease from the fourth quarter of 2024. Compared to the previous quarter, decreased revenues in the current quarter were driven by lower shipment volumes resulting from production curtailments and the impact of higher duty deposit rates on operating economics. The revenue decrease relative to the fourth quarter of 2024 was primarily due to lower shipment volumes combined with lower average mill net realizations net of duties.

Cost of goods sold in the fourth quarter of 2025 declined relative to the previous quarter, primarily due to materially lower production volume and higher unit costs. Both log cost and cash conversion costs increased materially quarter over quarter, representing a lack of scalability on fixed costs from materially lower production and log deliveries. The elevated levels of unit cost in the fourth quarter of 2025 are not indicative of steady state operations, rather a product of reducing volumes in response to the elevated duty and tariff rates creating considerable uncertainty in the markets.

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[1] Source: Random Lengths Publications Inc.

[2] Source: Forest Economic Advisors, LLC.

Our investment in capital expenditures related to the maintenance of business of our lumber operations in the fourth quarter of 2025 was $0.3 million compared to $0.5 million in the third quarter of 2025 and $0.2 million in the fourth quarter of 2024.

We expensed CVD and ADD deposits of $6.0 million in the fourth quarter of 2025, $15.3 million in the previous quarter and $1.7 million in the fourth quarter of 2024. The significant decrease from the third quarter of 2025 reflects the non-cash AR6 adjustment to reflect the changes from deposit rate to final rate. Export duties in the fourth quarter of 2025 were higher than the fourth quarter of 2024 due to higher combined duty rates. In total we have deposited US$46.0 million net of duty sales.

The following table reconciles cash deposits paid during the period to the amount recognized in our statement of net income and comprehensive income.

(in millions of dollars)	Q4 2025	Q3 2025	Q4 2024
Softwood lumber duty impact			
Cash deposits paid	2.8	3.3	1.7
Adjustment to final published rates	3.2	12.0	-
Softwood lumber duties, net	6.0	15.3	1.7

Bioenergy Operations

Our Power Plant sold 55.3 GWh of electricity in the fourth quarter of 2025 compared to 47.6 GWh in the previous quarter. The increase quarter over quarter reflects higher operating availability in the fourth quarter following the seasonal maintenance period concluded early in the third quarter. Electricity production in the fourth quarter of 2024 was comparable at 54.2 GWh.

Electricity production contributed revenues of $8.6 million in the fourth quarter of 2025, an increase of 23% from the previous quarter and increase of 13% from the fourth quarter of 2024. The increase from the previous quarter is due to a combination of slightly more operating days and increased contractual pricing due to the time of delivery factor in the colder quarters.

Selling, General and Administrative Costs

SG&A costs decreased by 7% between the fourth quarter and third quarter of 2025 and was also 7% lower between the fourth quarter of 2025 and the fourth quarter of 2024. SG&A costs were $1.3 million in the fourth quarter of 2025, $1.4 million in the previous quarter and $1.4 million in the fourth quarter of 2024. The decrease in SG&A costs relative to the comparative quarters was largely due to the re-valuation of long-term incentives combined with a focus on cost reduction initiatives.

Finance Costs and Accretion

Finance costs and accretion totaled $3.6 million in the fourth quarter of 2025, $4.4 million in the previous quarter and $1.9 million in the fourth quarter of 2024. Finance costs in the current quarter were lower than the previous quarter due to a $1.9 million non-cash interest expense in the third quarter related to the finalization of the duty rates under AR6, partially offset by higher outstanding draws on the Pender Term Loan. In the current quarter we recognized a $0.6 million interest expense related to a subsequent adjustment to the final AR6 rates made as a result of a change in valuation methodology from the previous quarter. The increase year over year primarily relates to the increase of the drawn portion on the Pender Term Loan.

Other Income

We recognized minimal other income in the fourth and third quarters of 2025 and the fourth quarter of 2024.

Foreign Exchange Translation Gain or Loss

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

The US dollar averaged US$0.717 for each Canadian dollar during the fourth quarter of 2025, a level which represented a weakening of the Canadian dollar over the previous quarter and relatively flat in comparison to the fourth quarter of 2024 (US$0.726 and US$0.715 respectively).[3]

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 loss of $0.2 million in the fourth quarter of 2025, compared to a nominal loss on foreign exchange translation in the previous quarter and a gain of $1.0 million in the fourth quarter of 2024.

Income Tax

We recorded income tax recoveries of $7.8 million in the fourth quarter of 2025 and $7.5 million in the previous quarter, and an income tax expense of $4.6 million in the fourth quarter of 2024. The decreased tax expense in the fourth quarter relative to the previous quarter was due to lower operating losses, primarily from the non-cash duty adjustment in the third quarter, combined with a partial offset from prior period adjustments. The decrease in tax expense from the fourth quarter of 2025 relative to the fourth quarter of 2024 was largely due to a reduction in operating losses and a prior quarter adjustment that impacted the fourth quarter of 2024.

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 December 31, 2025, we have recognized deferred income tax assets of $21.3 million, compared to $13.1 million in the previous quarter and $5.9 million in the fourth quarter of 2024. Our deferred income tax asset increased relative to the previous quarter and relative to the fourth quarter of 2024 due to the larger net losses before tax accumulated in 2025.

[3] Source: Bank of Canada, www.bankofcanada.ca.

SUMMARY OF FINANCIAL POSITION

(in millions of dollars, other than ratios and percentages)	2025	2024	2023
Cash	4.4	3.6	4.2
Cash – restricted	2.5	4.0	5.5
Operating working capital(1)	(1.0)	14.9	24.3
Operating loan	(0.0)	(0.0)	(11.5)
Current portion of long-term debt	(86.3)	(7.0)	(4.8)
Net current assets	(80.4)	15.5	17.7
Property, plant and equipment	111.3	117.5	123.1
Long-term duty receivable	11.1	11.1	8.3
Other long-term assets	45.4	30.2	30.5
	87.5	174.3	179.7
Non-interest bearing long-term liabilities	18.1	18.1	16.6
Long-term debt – Power Term Loan	0.0	44.5	46.4
Long-term debt – other(2)	1.3	25.8	1.2
Long-term duty payable	18.4	0.0	0.0
Shareholders' equity	49.7	85.8	115.5
	87.5	174.3	179.7
Ratio of current assets to current liabilities	0.3	1.5	1.5
Net debt to capitalization(2)	62%	45%	32%
Net debt (cash) to capitalization excluding Power Term Loan	44%	23%	8%

(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 the Pender Term Loan and leases in 2023, 2024, and 2025.
(3) Net debt and net debt to total capitalization are non-IFRS financial measures.

Operating working capital decreased by $15.9 million in 2025 due to an increase in trades payable, combined with a modest decrease in inventories, comprised of both logs and lumber, as well a decline in prepaid expenses as we consumed standing timber inventory at a faster rate than it was replaced. Inventory levels at December 31, 2025 reflect lower log and lumber inventories relative to the prior year to reflect our operating curtailment.

Overall debt was $87.7 million at December 31, 2025, compared to $82.6 million at September 30, 2025, and $77.3 million at December 31, 2024. The increase in overall debt reflects additional draws under the Pender Term Loan throughout 2025, partially offset by principal repayments on the Power Term Loan. At December 31, 2025, we had $47.3 million outstanding on our Power Term Loan, while our remaining long-term debt, consisting of the Pender Term Loan and leases, was $40.4 million.

The ratio of current assets to current liabilities was 0.3:1 at December 31, 2025, compared to 1.1:1 at September 30, 2025, and 1.5:1 at December 31, 2024. Operating working capital was negative at December 31, 2025, primarily due to elevated trade payables and accrued liabilities.

As at December 31, 2025, $87.7 million of our consolidated property, plant and equipment was attributable to our power operations, compared to $89.6 million at September 30, 2025, and $91.5 million at December 31, 2024. The decrease is attributed to amortization expense exceeding additions to property, plant, and equipment.

We use the net debt to total capitalization ratio to measure our relative debt position and as an indicator of the relative strength and flexibility of our balance sheet. Net debt is calculated as interest-bearing debt less cash. Total capitalization is calculated as the sum of net debt and equity. Net debt at December 31, 2025, increased by $2.3 million to $80.7 million from $78.4 million at September 30, 2025, due to an additional $8 million in draws on the Pender Term Loan, partially offset by a higher cash balance and principal repayments. The net debt to capitalization ratio was approximately 62**%** at December 31, 2025, 56% at September 30, 2025, and 44% at December 31, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

(in millions of dollars)	**2025**	**2024**	**2023**
Cash generated from (used in)			
Operating activities	(27.7)	(9.8)	(26.5)
Change in non-cash working capital	32.4	4.4	30.0
Investing activities	(4.5)	(5.3)	(5.2)
Financing activities and other	0.6	10.1	(2.7)
Increase (decrease) in cash	0.8	(0.6)	4.2

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 spring months. Factors such as disruption of transportation services by third party providers, variability in export shipments and operating rates can impact the level of lumber inventories. We believe our practices with respect to working capital conform to common business practices in our industry.

Operating activities before changes in non-cash working capital utilized $27.7 million of cash in 2025, compared to utilizing $9.8 million in 2024, and utilizing $26.5 million in 2023. Despite the negative operating cash outflow, changes in non-cash working capital generated $32.4 million of cash in 2025, or $3.4 million net of operating activities, primarily driven by a significant increase in trade payables and accrued liabilities related to softwood lumber duty accruals. In 2024, changes in non-cash working capital generated $4.4 million of cash for net cashflow of operating activities of negative $5.4 million.

Investing Activities

Investing activities utilized cash of $4.5 million in 2025 and $5.3 million in 2024. Investing activities consisted of investments in property, plant and equipment. Investments in both 2025 and 2024 were primarily comprised of maintenance capital expenditures at the Mackenzie Mill and Power Plant.

Financing Activities

Our financing activities generated net cash of $0.6 million in 2025 and generated $10.1 million in 2024. Net cash usage in 2025 was primarily comprised of Pender Term Loan draws and usage of restricted cash, partially offset by interest payments on both the Pender Term Loan and Power Term Loan, and lease payments. Net cash generation in 2024 was primarily comprised of the addition of $25 million from the Pender Term Loan, combined with the release of certain restricted cash from the power segment, offset by the retirement of the prior $11.5 million secured revolving credit facility on the lumber segment and Power Term Loan repayments and interest payments.

Liquidity

Our principal sources of funds are cash on hand and cash flows from operations. As at December 31, 2025, we have drawn $38.1 million against the Pender Term Loan.

In June 2024, we entered into the Pender Term Loan with Pender.

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.

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 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.

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.

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.

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.

Our principal uses of funds in the current year consisted of operating expenditures, capital expenditures, interest payments and repayment of principal on our Power Term Loan.

At December 31, 2025, we had available liquidity, comprised of unrestricted cash on hand, of $4.4 million. This is a modest increase from our available liquidity of $4.0 million as at September 30, 2025 and $3.6 million as at December 31, 2024. The improvement in available liquidity was primarily driven by higher draws on our Pender Term Loan, partially offset by the impact of significantly higher duty deposit rates following the finalization of AR6 in September 2025 and the imposition of the Section 232 Tariff in October 2025, which resulted in a material increase in cash duty outlays on US-bound lumber shipments.

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 refunds, 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 CVD and ADD deposits and the Section 232 Tariff to the extent additional costs on US-destined shipments are not mitigated by higher lumber prices. The combined duty and tariff rate of 45.16% on our US-bound shipments significantly constrains operating margins and cash generation. However, we expect a material reduction in duty rates in the fourth quarter of 2026 in connection with the finalization of the seventh administrative review covering the 2024 period, and we anticipate a continued recovery in softwood lumber pricing and demand over the medium-term supported by favourable housing market fundamentals.

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. Additionally, we continue to maintain compliance with our facilities or seek appropriate remedies, amendments and waivers when required. We also continue to work collaboratively with our existing lenders and are evaluating additional financing opportunities to help ensure that we retain sufficient liquidity to fund log and lumber inventories and receivables from the sale of lumber and residual chips.

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

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

Conifex's ability to continue as a going concern is dependent on its ability to realize positive cash flows from operations, as well as its ability to obtain additional financing from lenders and, as may be necessary, to amend the terms and timing of its debt repayment obligations or seek appropriate remedies or waivers from its lenders, none of which can be guaranteed. During discussion with our Power Term Loan lenders, the September 2025 principal payment for our Power Term Loan was waived, and the December 2025 principal payment for our Power Term Loan has been deferred. We continue to work on additional amendments that would allow us to remain in compliance with our obligations under the Power Term Loan. There can be no assurance that any such amendments will be agreed to on terms acceptable to Conifex or at all. If Conifex is unsuccessful in negotiating such amendments or is unable to obtain a permanent or temporary waiver in lieu thereof, the lenders thereunder may seek remedies for any uncured defaults by Conifex of its contractual obligations under the Power Term Loan. 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.

Contractual Obligations

The following table summarizes the estimated aggregate amount of future cash outflows for contractual obligations with exclusions as noted below:

(in millions of dollars)	Payments due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Term Debt	85.0	13.6	19.3	32.9	19.2
Interest on Term Debt	35.1	11.1	13.5	6.7	3.7
Leases	2.3	1.0	1.0	0.3	0.0
Reforestation obligations	13.5	3.1	5.5	1.2	3.7
Trade payables and accrued liabilities	30.2	30.2	-	-	-
Provisions and other liabilities	6.9	1.2	0.6	1.3	3.9
	173.4	60.2	39.9	42.4	30.5

Contractual obligations not included in the above table are:

- Interest payments associated with floating rate debt that depend on the Canadian Dollar Offered Rate or London Inter-bank Offered Rate during the year of payment.

- Purchase obligations and contractual obligations related to ongoing commercial commitments in the ordinary course to purchase timber, fibre, energy and other operating inputs. For these commitments, our obligations can vary significantly from contracted amounts depending on our requirements.

- Our wholly owned subsidiary Conifex Power has entered into agreements with BC Hydro for the sale of electricity and commitment of electrical load displacement from the Power Plant. The EPA requires performance guarantees to ensure minimum required amounts of electricity are generated, and the LDA includes incentive grants for load displacement, with penalty clauses if the requirements are not met.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as at December 31, 2025, 2024 and 2023 were comprised of standby letters of credit totalling $3.0 million posted by 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 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 2025.

SELECTED QUARTERLY FINANCIAL INFORMATION

Quarterly Earnings Summary

(in millions of dollars, except where otherwise noted)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	26.1	38.2	33.9	44.6	31.0	25.2	31.8	40.8
Operating income (loss)	(15.9)	(19.5)	(4.5)	2.3	(3.0)	(6.1)	(9.7)	(7.1)
Net income (loss)	(11.4)	(16.6)	(8.3)	0.6	(11.8)	(3.8)	(9.7)	(4.5)
Net income (loss) per share – basic	(0.28)	(0.41)	(0.20)	0.01	(0.29)	(0.09)	(0.24)	(0.11)
Net income (loss) per share – diluted	(0.28)	(0.41)	(0.20)	0.01	(0.29)	(0.09)	(0.24)	(0.11)
EBITDA (1)	(12.6)	(16.6)	(3.2)	4.9	(2.1)	(3.9)	(7.1)	(0.5)
Shares outstanding – weighted average (in millions)	40.8	40.8	40.8	40.7	40.6	40.6	40.4	40.4
Diluted Shares (in millions)	40.8	40.8	40.8	40.7	40.6	40.6	40.4	40.4
Statistics (in millions, except rate, prices and GWh)								
Production – WSPF lumber	27.8	38.5	35.3	46.3	24.8	31.5	34.0	44.5
Shipments – WSPF lumber	24.2	40.1	38.9	38.0	24.8	29.3	38.5	44.5
Shipments – wholesale lumber	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity production – GWh	55.3	47.6	29.6	47.6	54.2	25.9	38.0	56.0
Average exchange rate – $/US$(2)	0.717	0.726	0.723	0.697	0.730	0.733	0.731	0.741
Average WSPF 2x4 #2 & Btr lumber price (US$)(3)	$422	$477	$471	$492	$435	$366	$386	$446
Average WSPF 2x4 #2 & Btr lumber price ($)(4)	$589	$657	$651	$706	$608	$500	$528	$601
Reconciliation of EBITDA to net income (loss)								
Net income (loss) from continuing operations	(11.4)	(16.6)	(8.3)	0.6	(11.8)	(3.8)	(9.7)	(4.5)
Add: Finance costs	3.6	4.4	2.4	2.3	1.9	1.8	2.8	1.3
Amortization	3.1	3.1	1.9	2.8	3.1	2.4	2.5	3.2
Income tax expense (recovery)	(7.8)	(7.5)	0.8	(0.7)	4.6	(4.3)	(2.7)	(0.5)
EBITDA from continuing operations(1)	(12.6)	(16.6)	(3.2)	4.9	(2.1)	(3.9)	(7.1)	(0.5)

(1) Conifex's EBITDA calculation represents earnings before finance costs, taxes, and depreciation and amortization.
(2) Bank of Canada, www.bankofcanada.ca.
(3) Random Lengths Publications Inc. (Western Spruce/Pine/Fir, per thousand board feet).
(4) Average WSPF 2x4 #2 & Btr lumber prices (US$) divided by average exchange rate.

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

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

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

OUTLOOK

Over the medium-term, North American lumber demand is expected to benefit from favourable underlying fundamentals, including the advanced age of the US housing stock, a shortage of available housing, favourable demographic factors, the growing role of mass timber construction, and the potential for further moderation in interest rates. However, near-term uncertainty persists related to the duration and magnitude of trade measures, housing affordability challenges, and the pace of any recovery in housing activity. We continue to work collaboratively with our lenders to help maintain adequate liquidity for ongoing operations and, most recently, have successfully secured additional financing through the Government of Canada's Softwood Lumber Guarantee Program. We are actively monitoring lumber market conditions and may adjust our operating format in response to market and trade conditions. Management remains focused on cost discipline, liquidity management, and positioning Conifex for improved financial performance as market conditions evolve.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make critical judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates. Such difference in estimates are recognized when realized on a prospective basis.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described below.

Valuation of Inventory

We closely monitor conditions that could impact valuation of inventories or otherwise impair our assets. Inventories of logs and lumber products are valued at the lower of average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs for completion and applicable variable selling expenses. Our estimated selling price is based on our order file that exists at balance sheet reporting dates and management's estimate for forecasted sales prices based on supply, demand and industry trends. Prices fluctuate over time, and it is probable that market values at the time of eventual sale will differ from our estimates.

Write-downs of inventory cost to net realizable value, if any, are included in cost of goods sold when incurred and reported in the lumber operations operating results. Inventory write down was $3.0 million as at December 31, 2025 compared to nil as at December 31, 2024. The write-down reflects inventoried costs in the fourth quarter of 2025 exceeding projected near-term selling prices, driven by lower benchmark lumber prices and higher duty rates.

Valuation of Long-Lived Assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessing the valuation of assets requires us to make judgments, assumptions and estimates. Impairment losses are recognized in net income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell and value in use.

We review the amortization periods for our manufacturing equipment and machinery to ensure that the periods appropriately reflect anticipated obsolescence and technological change. Current amortization periods for manufacturing equipment range from 5 to 50 years. Forestry licences are amortized on a straight-line basis over 60 years.

Management currently believes that Conifex has adequate support for the carrying value of its long-lived assets based on analysis including anticipated cash flows that result from our estimates of future demand, pricing and production costs, and assuming certain levels of planned capital expenditures. However, should the markets for our products deteriorate to levels significantly below current forecasts or should capital not be available to fund operations or expenditures, it is possible that we will be required to record further impairment charges.

Net impairment losses and recoveries are reported as a separate line item on the financial statements as non-operating items. We did not record any impairment losses or recoveries in 2025 and 2024.

Amortization costs related to lumber and power operation assets are included in costs of goods sold. We recorded amortization expense related to operating assets of $10.9 million in 2025 (2024 – $11.2 million). Amortization costs related to corporate assets are included in SG&A expenses. We recorded amortization expense of $0.3 million to SG&A costs in 2025 (2024 – $0.8 million).

Reforestation Obligation

Timber is harvested under various licences issued by the Province of British Columbia, which include future requirements for reforestation. The future estimated reforestation obligation is accrued based upon the volume of timber cut each period and charged to costs of goods sold in the lumber operations. The estimates of reforestation obligations are based upon various judgments and assumptions. Both the precision and reliability of such estimates are subject to uncertainties and, as additional information becomes known, these estimates are subject to change. We accrued $2.9 million in 2025 (2024 – $3.8 million) for future estimated reforestation obligations.

Environmental Remediation Costs

Costs associated with environmental remediation obligations are accrued and expensed when there exists a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Such accruals are adjusted as further information develops or circumstances change. Estimated costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable. Accruals for estimated environmental remediation obligations are charged to cost of goods sold in our lumber operations. We accrued nil in each of 2025 and 2024 for future estimated environmental remediation costs. We believe, in conjunction with external professionals, that our booked liability accurately reflects our outstanding obligations.

Deferred Income Taxes

Deferred tax assets and liabilities comprise the tax effect of temporary differences between the carrying amount and tax basis of assets and liabilities, as well as the tax effect of unused tax losses. Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future results of operations and the timing of reversal of temporary differences as well as the substantively enacted tax rates and laws at the time of the expected reversal. The composition of deferred tax assets and liabilities is reasonably likely to change from period to period due to the number of variables associated with the differing tax laws and regulations across the jurisdictions in which we operate. As a result, the precision and reliability of the resulting estimates are subject to uncertainties and may change as additional information becomes known. Uncertainties surrounding these assumptions and changes in tax rates or tax policy could have a material effect on expected results. We only recognize a deferred income tax asset to the extent that the future realization of the tax asset is probable. This is based on our estimates and assumptions as to the future financial performance of the various taxable legal entities.

As at December 31, 2025, we had deferred income tax assets of $21.3 million and recorded deferred income tax recovery of $15.3 million. As at December 31, 2024, we had deferred income tax assets of $5.9 million and recorded deferred income tax recovery of $3.0 million.

At December 31, 2025 we had unused non-capital tax losses carried forward totalling $66.4 million from continuing operations (December 31, 2024 – $89.7 million) and $164.9 million from discontinued operations (December 31, 2024 – $164.9 million). We have not recognized deferred income tax assets related to discontinued operations due to the uncertainty of future realization.

ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

A number of new and amended IFRS standards are not yet effective for the year ended December 31, 2025 and have not been applied in preparing our consolidated financial statements. None of these standards are currently considered to be significant or likely to have a material impact on future consolidated financial statements, with the exception of amendments to International Accounting Standard ("**IAS**") 1, *Presentation of Financial Statements*, discussed below.

IAS 1, Presentation of Financial Statements

In January 2020, the International Accounting Standards Board ("**IASB**") issued *Classification of Liabilities as Current or Non-Current* as amendments to IAS 1. The amendments expand the requirement for classification of liabilities as current or non-current to include consideration of the rights that exist at the end of the reporting period. The amendments also clarified the definition of settlement and provided situations that would be considered as a settlement of a liability. In October 2022, the IASB issued further amendments to IAS 1, *Non-current Liabilities with Covenants*. These further amendments clarify how to address the classification of non-current liabilities as a result of covenants and rights to defer settlement that an entity is required to comply with on or before the reporting date and covenants and rights that an entity must comply with after the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024 with early adoption permitted. The impact that these amendments will have on future consolidated financial statements is yet to be determined.

In April 2024, the International Accounting Standards Board issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18"), which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented into three defined categories of operating, investing, and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management-defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, with retrospective application required. The Company is currently in the process of assessing the impact of this new standard.

RISKS AND UNCERTAINTIES

Conifex is exposed to many risks and uncertainties in conducting its business, including: fluctuations in prices and demand for and selling price of lumber; liquidity risk; fibre availability and cost; risks related to the integration and build-out of our HPC operations; public health; currency risk; competition; softwood lumber and other trade disputes; capital projects; wood dust management; transportation limitations; operational curtailments; regulatory risks; reliance on directors, management and other key personnel; information systems security threats; natural and human-made disasters and climate change; forest health environment; stumpage fees; indigenous claims; labour relations; maintenance obligations and facility disruptions; periodic litigation; and tax exposure. In particular, Conifex's financial results in 2025 were materially and adversely impacted by increases in US softwood lumber duties and tariffs. The combined CVD and ADD rate increased from 8.05% at the beginning of 2024 to 35.16% following the finalization of AR6 in September 2025, and the subsequent imposition of the Section 232 Tariff in October 2025 brought the combined rate to 45.16%. As a result, duty expense increased from $4.4 million in 2024 to $26.1 million in 2025, inclusive of a non-cash adjustment of approximately $15.3 million in the third quarter and fourth quarter of 2025. The magnitude and duration of these trade measures, and any further increases, remain highly uncertain and represent a risk factor affecting Conifex's near-term financial performance and liquidity. Conifex expects a material reduction in duty rates in the fourth quarter of 2026 in connection with the seventh administrative review, and anticipates a continued rise in softwood lumber pricing and demand over the medium-term. A comprehensive discussion of risk factors is included in, and readers are referred to, Conifex's annual information form and other filings with the Canadian securities regulatory authorities available under Conifex's profile on SEDAR+ at www.sedarplus.ca.

OUTSTANDING SECURITIES

As at March 21, 2026, we had 40,767,710 common shares, 3,522,679 long-term incentive plan awards, and 4,320,000 warrants outstanding.

EVALUATION OF INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

In accordance with the requirements of *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), our management, including the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), have evaluated the effectiveness of our internal controls over financial reporting. Management of Conifex is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO, and it is affected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of our internal controls over financial reporting as of December 31, 2025 and believes that our internal controls over financial reporting were effective. Management's assessment was based on the framework established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the CEO and CFO have concluded that Conifex's internal controls over financial reporting, as defined in NI 52-109, were designed and operating effectively. In addition, the CEO and CFO confirm that there were no changes in the controls which materially affected, or are reasonably likely to materially affect, Conifex's internal controls over financial reporting during the year ended December 31, 2025.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding annual and interim filings or other disclosure. An evaluation of the effectiveness of the design and operation of disclosure controls and procedures was conducted as of December 31, 2025 by Conifex's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Conifex's disclosure controls and procedures, as defined in NI 52-109, were effective as of December 31, 2025.

ADDITIONAL INFORMATION

Additional information about our company is available under Conifex's profile on SEDAR+ at www.sedarplus.ca.