CONIFEX TIMBER INC.
THIRD QUARTER 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 11, 2026

This Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and results of operations of Conifex Timber Inc. ("Conifex", "us", "we", or "our"), on a consolidated basis, for the quarter ended September 30, 2026, relative to the quarters ended June 30, 2026, and September 30, 2025. This interim MD&A should be read together with our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2026 and 2025 and our MD&A and our audited consolidated financial statements and notes thereon for the year ended December 31, 2025, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and filed on SEDAR+ at www.sedarplus.ca.

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

In this interim MD&A, all references to "$" are to Canadian dollars and references to "US$" are to US dollars. Except where otherwise indicated, dollar amounts have been converted at an assumed exchange rate of US$1.00 to $1.4145 (closing rate as at September 30, 2026).

Forward-Looking Statements

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

Examples of such forward-looking information that may be contained in this document include statements regarding: the availability and use of credit facilities or proceeds therefrom, including whether additional financing will be obtained on acceptable terms or at all; our level of liquidity and our ability to service our debt; short-term and longer-term cash sufficiency; the realization of expected benefits of completed, current and any contemplated capital projects and the expected timing and budgets for such projects; the growth and future prospects of our business; our expectations regarding our results of operations and performance; our planned operating format and expected operating rates; the timing of, and satisfaction of conditions to, the restart of operations at our Mackenzie Mill and Power Plant; our perception of the industries or markets in which we operate; our ability to supply our manufacturing operations with wood fibre and our expected cost of wood fibre; our expectation for market volatility associated with the softwood lumber dispute with the US; potential negative impacts of duties or other protective measures on our products and the potential

for further escalating trade measures between Canada, the US and other jurisdictions (including the applicability, timing and scope of any such measures); the expected rates of anti-dumping duties, countervailing duties, tariffs, and other duties imposed by the US government, including the expected financial impact of the final results of AR7 (as defined herein); continued positive relations with Indigenous groups; the development of a longer-term capital plan and the expected benefits therefrom; demand and prices for our products; our ability to develop new revenue streams; the outcome of any actual or potential litigation; future capital expenditures; changes in stumpage fees; our expectations regarding interest rates and US dollar benchmark prices; and weather conditions, natural and manmade disasters and climate change.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements may include, but are not limited to, our future debt levels; that we will complete our projects in the expected timeframes and as budgeted; that we will effectively market our products; that capital expenditure levels will be consistent with those estimated by our management; our ability to obtain and maintain required governmental and community approvals; the impact of changing government regulations and shifting political climates; that demand for lumber and lumber prices will be consistent with our expectations; that transportation services by third party providers will continue uninterrupted; our ability to ship our products in a timely manner; that our Power Plant will continue to operate following its restart and that we will be able to continue to deliver power therefrom; that sufficient sawlog inventory will be available for the restart of our Mackenzie Mill and that sawmill operations will resume as expected; that the conditions to further advances under the LETL Loan, including the absence of any default and applicable Mackenzie Mill restart milestones, will be satisfied; that the export duty expense and accrued interest resulting from the final results of AR7 (as defined herein) will not differ materially from our estimates; our ability to obtain financing on acceptable terms, or at all; that interest and foreign exchange rates will not vary materially from current levels; the general health of the capital markets and the lumber industry; and the general stability of the economic environments within the countries in which we operate or do business.

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

BUSINESS OVERVIEW

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

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

We operate a 36-megawatt biomass power generation plant in Mackenzie, British Columbia (the "Power Plant"), located at the site of our Mackenzie Mill. Our Power Plant's output capacity is in excess of 230 gigawatt hours ("GWh") of electricity per year. We have an electricity purchase agreement ("EPA") and a

related load displacement agreement ("LDA") with the British Columbia Hydro and Power Authority ("BC Hydro"). Under the EPA, BC Hydro agreed to purchase approximately 200 GWh of electrical energy annually over a 20-year term ending in 2035, for a fixed price, and under the LDA we agreed to supply the energy requirements of our Mackenzie Mill over the same 20-year term.

RECENT DEVELOPMENTS

Large Enterprise Tariff Loan

On September 18, 2026, Conifex entered into a credit agreement with the Canada Enterprise Emergency Funding Corporation ("CEEFC") providing for a secured term loan of up to $30 million (the "LETL Loan") under the Large Enterprise Tariff Loan program, maturing on September 18, 2033. The LETL Loan provides liquidity to support Conifex's operations and the anticipated restart of the Mackenzie Mill, and to help sustain jobs in the Mackenzie region. The LETL Loan is secured by substantially all of Conifex's property. The lumber-secured ($20.0 million) and Power Plant-secured ($10.0 million) portions of the LETL Loan bear interest at 14.0% and 8.75% per annum, respectively, payable in kind and added to principal until Conifex achieves a specified level of trailing twelve-month EBITDA, after which interest is payable monthly in cash. No scheduled principal repayments are required until September 2028; thereafter, the lumber-secured portion is repayable annually from a portion of Conifex's excess cash flow, if any, and the Power Plant-secured portion from any payments by Conifex Power Limited Partnership, a wholly-owned subsidiary of Conifex ("CPLP"), made concurrently with CPLP's principal payments under the CPLP Term Loan (as defined below), with any remaining balance due at maturity. As at September 30, 2026, $19.8 million was outstanding under the LETL Loan, with the remaining $10.2 million available subject to the completion by Conifex of certain conditions, including evidence satisfactory to CEEFC that certain Mackenzie Mill restart milestones have been or will be met by specified dates.

Amendments to Existing Credit Facilities

On September 18, 2026, in connection with the entering into of the LETL Loan, Conifex also entered into: a second amended and restated credit agreement with Pender Corporate Bond Fund ("PenderFund") in respect of its secured term loan supporting the lumber operations (the "PenderFund Term Loan"); an amendment to the secured term loan entered into in October 2018 among CPLP and a syndicate of private lenders (the "CPLP Term Loan"); and an amendment to the secured term loan between Conifex Mackenzie Forest Products Inc., a wholly-owned subsidiary of Conifex, and the Business Development Bank of Canada ("BDC") under the Softwood Lumber Guarantee Program (the "BDC Loan", and collectively with the PenderFund Term Loan and the CPLP Term Loan, the "Lender Amendments"). The terms of the Lender Amendments include the deferral of scheduled principal repayments until September 2028 (the "Payment Holiday") and, for the PenderFund Term Loan and the CPLP Term Loan, the payment of interest in kind, with such interest added to the outstanding principal, during the Payment Holiday. Interest on the BDC Loan continues to be paid by Conifex monthly in cash. As a result of the Lender Amendments, substantially all of Conifex's borrowings were classified as non-current as at September 30, 2026.

Mackenzie Mill and Power Plant Operations

Sawmill and planer operations at the Mackenzie Mill, which were temporarily curtailed commencing on May 19, 2026, remained curtailed throughout the third quarter of 2026 and as at the date of this MD&A. Our Power Plant, which entered its scheduled annual maintenance shutdown in May 2026, also remained idle throughout the quarter. In July 2026, we announced that we were transitioning our log harvesting program from our traditional northern summer program to a southern truck-haul program, with timing dependent on weather and other operating conditions. Following the execution of the LETL Loan, we are advancing restart planning and expect to resume sawmill operations once the conditions necessary for a successful startup have been satisfied, including the availability of financing to fund such restart (including the remaining funding available under the LETL Loan) and sufficient sawlog inventory. Power Plant operations resumed on November 10, 2026, and Mackenzie Mill operations are currently expected to resume in or about December 2026.

SUMMARY

The following table summarizes our operating results.

Selected Financial Information

(unaudited, in millions of dollars, except share and exchange rate information)	Q3 2026	Q2 2026	YTD 2026	Q3 2025	YTD 2025
Sales					
Lumber – Conifex produced	0.0	19.0	33.9	26.4	85.1
By-products and other	0.6	1.2	3.5	4.9	14.1
Bioenergy	0.0	2.8	8.0	6.8	17.5
	0.7	23.0	45.4	38.2	116.7
Operating income (loss)	(6.3)	(7.8)	(23.9)	(19.5)	(21.8)
EBITDA[1]	(5.7)	(6.3)	(19.7)	(16.6)	(14.8)
Net income (loss)	**(7.9)**	**(9.5)**	**(26.8)**	**(16.6)**	**(24.2)**
Basic earnings (loss) per share[2]	**(0.19)**	**(0.23)**	**(0.66)**	**(0.41)**	**(0.60)**
Diluted earnings (loss) per share[2]	**(0.19)**	**(0.23)**	**(0.66)**	**(0.41)**	**(0.60)**
Shares outstanding – weighted average (millions)	40.8	40.8	40.8	40.8	40.8
Diluted Shares (millions)	40.8	40.8	40.8	40.8	40.8

Reconciliation of EBITDA to net income (loss)

Net income (loss)	(7.9)	(9.5)	(26.8)	(16.6)	(24.3)
Add: Finance costs	3.3	3.1	9.3	4.4	9.1
Amortization	0.5	1.5	4.0	3.1	7.8
Deferred income tax expense (recovery)	(1.6)	(1.4)	(6.2)	(7.5)	(7.5)
EBITDA[1]	(5.7)	(6.3)	(19.7)	(16.6)	(14.8)

Selected Operating Information

Production – WSPF lumber (MMfbm)[3]	0.0	14.1	35.8	38.5	120.2
Shipments – WSPF lumber (MMfbm)[3]	0.0	23.6	45.1	40.1	116.9
Electricity production (GWh)	0.0	19.8	56.5	47.6	124.9
Average exchange rate – $/US$[4]	0.715	0.723	0.722	0.726	0.715
Average WSPF 2x4 #2 & Btr lumber price (US$)[5]	$487	$488	$479	$477	$480
Average WSPF 2x4 #2 & Btr lumber price (CDN$)[6]	$681	$675	$663	$657	$671

(1) Conifex's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization.
(2) Based on 40,767,710 common shares assumed to be outstanding as at September 30, 2026.
(3) MMfbm represents million board feet.
(4) Bank of Canada, www.bankofcanada.ca.
(5) Random Lengths Publications Inc.
(6) Average western spruce-pine-fir ("WSPF") 2x4 #2 & Btr lumber prices (US$) divided by average exchange rate.

REVIEW OF THIRD QUARTER 2026 FINANCIAL RESULTS

During the third quarter of 2026, we incurred a net loss of $7.9 million or $0.19 per share compared to a net loss of $9.5 million or $0.23 per share in the previous quarter, and a net loss of $16.6 million or $0.41 per share in the third quarter of 2025. Our results for the current quarter reflect the curtailment of our Mackenzie Mill and Power Plant operations for the quarter.

North American lumber prices softened through the third quarter of 2026. US dollar-denominated benchmark WSPF prices declined from an average of US$506 in July to US$465 in September and averaged US$487 for the quarter, essentially unchanged from the previous quarter and an increase of 2% from the third quarter of 2025. Canadian dollar-denominated benchmark WSPF prices, which averaged

$681 in the third quarter of 2026, increased by 1% or $6 from the previous quarter and increased by 4% or $24 from the third quarter of 2025, reflecting a weaker Canadian dollar. Benchmark prices continued to be supported by supply curtailments across the industry, offset by continued softness in US residential construction activity and persistent affordability constraints.

US housing starts on a seasonally adjusted annual basis averaged 1.29 million in the third quarter of 2026 compared to 1.36 million in the previous quarter, and 1.37 million in the third quarter of 2025.

Lumber Operations

The Mackenzie Mill remained curtailed throughout the third quarter of 2026 and, as a result, we did not produce any lumber in the quarter, compared to 14.1 million board feet produced in the previous quarter and 38.5 million board feet produced in the third quarter of 2025. Our planer mill was also idle during the quarter.

We shipped a nominal volume of Conifex-produced lumber in the third quarter of 2026, compared to 23.6 million board feet shipped in the previous quarter and 40.1 million board feet shipped in the third quarter of 2025, as finished lumber inventories were largely drawn down in the previous quarter. Finished lumber inventory at the Mackenzie Mill was approximately 0.3 million board feet at September 30, 2026.

Revenues from lumber products were nominal in the third quarter of 2026, compared to $19.0 million in the previous quarter and $26.4 million in the third quarter of 2025, reflecting minimal lumber shipments during the curtailment. By-product and other revenues were $0.6 million in the third quarter of 2026, consisting primarily of sawlog sales, compared to $1.2 million in the previous quarter and $4.9 million in the third quarter of 2025.

Cost of goods sold was $6.0 million in the third quarter of 2026, compared to $21.4 million in the previous quarter and $35.4 million in the third quarter of 2025. With no production in the quarter, cost of goods sold in the current quarter primarily reflects costs incurred while our operations were curtailed, including approximately $3.6 million at the Mackenzie Mill for fixed site costs, overhead, staffing and care and maintenance and approximately $2.4 million at our Power Plant, which conducted annual maintenance shutdown activities through the end of the quarter.

We did not expense any anti-dumping ("AD") and countervailing ("CVD") duty deposits in the third quarter of 2026 as we made no lumber shipments into the US, compared to $3.7 million in the previous quarter and $15.3 million in the third quarter of 2025, which included a non-cash export duty expense of $12.0 million related to the finalization of the sixth administrative review. In total, we have deposited US$49.4 million net of duty sales.

Bioenergy Operations

Our Power Plant did not generate electricity in the third quarter of 2026. The Power Plant entered its scheduled annual maintenance shutdown in May 2026 which was completed by the end of the quarter. Our Power Plant sold 19.8 GWh of electricity under our EPA in the previous quarter and 47.6 GWh in the third quarter of 2025.

As we did not generate electricity in the third quarter of 2026, revenues from our bioenergy operations were nil in the quarter, compared to $2.8 million in the previous quarter and $6.8 million in the third quarter of 2025. The absence of electricity sales was the primary driver of the lower revenues in the current quarter.

Selling, General and Administrative Costs

Selling, general and administrative costs were $0.9 million in the third quarter of 2026, compared to $1.4 million in the previous quarter and $1.4 million in the third quarter of 2025. The decrease relative to both comparative periods primarily reflects cost-saving measures implemented during the curtailment. Selling, general and administrative costs in the third quarter are shown net of a refund of US$0.2 million ($0.3

million) of softwood lumber duties paid on a portion of 2017 shipments from Lignum Forest Products LLP ("Lignum"). Lignum was a wholly-owned subsidiary of Conifex during the 2017 period in which the duties were paid.

Finance Costs and Accretion

Finance costs and accretion totalled $3.3 million in the third quarter of 2026, compared to $3.1 million in the previous quarter and $4.4 million in the third quarter of 2025. The increase relative to the previous quarter primarily reflects higher borrowings, including advances under the PenderFund Term Loan and the LETL Loan advanced in September 2026, together with the amortization of deferred financing costs. The decrease relative to the third quarter of 2025 reflects a non-cash interest adjustment of $1.9 million recorded in that quarter related to the finalization of duty rates under the sixth administrative review, partially offset by higher overall debt levels, including the $19.0 million secured BDC Loan drawn in March 2026.

Gain or Loss on Derivative Financial Instruments

From time to time, we may enter into lumber futures contracts to manage our exposure to commodity lumber prices. Gains and losses on these instruments are recognized in earnings as they are settled or marked to market at each reporting date.

There were no outstanding futures contracts in place as at September 30, 2026.

Other Income

We recognized other income of $0.1 million in the third quarter of 2026, compared to other income of $0.1 million in the previous quarter and minimal other income in the third quarter of 2025.

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 Canadian dollar averaged US$0.715 during the third quarter of 2026, representing a weakening relative to both the previous quarter and the third quarter of 2025.

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 minimal foreign exchange translation gain in the third quarter of 2026, compared to a translation loss of $0.1 million in the previous quarter and a translation loss of $0.2 million in the third quarter of 2025.

Income Tax

We recorded an income tax recovery of $1.6 million in the third quarter of 2026, compared to a recovery of $1.4 million in the previous quarter and a recovery of $7.5 million in the third quarter of 2025. The recovery in the current quarter reflects continued operating losses, while the recovery in the third quarter of 2025 primarily reflected the non-cash export duty expense related to the finalization of the sixth administrative review.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities on our balance sheet and the amounts used for income tax purposes. As at September 30, 2026, we have recognized deferred income tax assets of $27.4 million, compared to $25.9 million in the previous quarter and $13.1 million in the third quarter of 2025. Our deferred income tax asset increased relative to both comparative periods due to continued net losses in a challenging operating environment with elevated duties and tariffs and the curtailment of our operations. Deferred income tax assets are

recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilized. Management's assessment of recoverability considers the reversal of existing taxable temporary differences, forecasts of future taxable income, including the expected restart of the Mackenzie Mill and Power Plant, and the expiry dates of available non-capital losses, which may generally be carried forward for 20 years. Based on this assessment, management has concluded that it is probable that the recognized deferred income tax assets will be realized. This assessment involves significant judgment, and changes in our forecasts or operating conditions could result in a reduction of the deferred income tax assets recognized.

SUMMARY OF FINANCIAL POSITION

(unaudited, in millions of dollars, unless otherwise noted)	**Q3 2026**	**Q2 2026**	**Q3 2025**
Cash	7.4	1.3	1.7
Cash – restricted	0.0	1.3	2.5
Operating working capital[(1)]	(2.9)	(6.1)	11.1
Operating loan	0.0	0.0	0.0
Current portion of long-term debt	(0.9)	(10.0)	(11.3)
Net current assets	3.6	(13.5)	4.1
Property, plant and equipment	111.4	109.7	113.7
Long-term duty receivables	11.9	11.8	10.2
Other long-term assets	51.3	50.0	37.4
	178.3	158.0	165.3
Non-interest bearing long-term liabilities	14.1	15.9	19.0
Long-term debt – CPLP Term Loan	46.0	42.4	42.8
Long-term debt – other(2)	75.6	49.4	28.5
Long-term duty payable	19.8	19.6	13.6
Shareholders' equity	22.8	30.8	61.4
	178.3	158.0	165.3
Ratio of current assets to current liabilities	1.1	0.7	1.1
Net debt to capitalization	83%	76%	56%
Net debt to capitalization excluding CPLP Term Loan(2)	76%	64%	35%

(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 PenderFund Term Loan, the LETL Loan, the BDC Loan and equipment and vehicle leases expiring between 2026 and 2030.

In the third quarter of 2026, operating working capital increased by approximately $3.2 million from the second quarter of 2026, primarily due to an increase in trade and other receivables of approximately $2.4 million, an increase in prepaid expenses and deposits of approximately $1.9 million, which includes financing costs incurred in connection with the LETL Loan, and decreases in trade payables, accrued liabilities and employee liabilities of approximately $1.1 million, partially offset by an increase in the current portion of reforestation obligations of approximately $2.3 million. Operating working capital decreased by approximately $14.0 million compared to the third quarter of 2025, reflecting lower trade receivables and inventories following the curtailment of our operations and a higher current portion of reforestation obligations.

Overall debt was approximately $122.5 million at September 30, 2026, compared to approximately $101.8 million at June 30, 2026, and $82.6 million at September 30, 2025. The increase in overall debt from the previous quarter was driven by the $19.8 million outstanding under the LETL Loan and net advances under the PenderFund Term Loan of approximately $1.0 million, partially offset by principal repayments on the CPLP Term Loan and payments against leases. At September 30, 2026, we had $46.0 million outstanding on the CPLP Term Loan, $35.4 million outstanding on the PenderFund Term Loan, $19.8 million

outstanding under the LETL Loan, $19.0 million outstanding under the BDC Loan, and $2.2 million in leases and other borrowings. The CPLP Term Loan is largely non-recourse to our lumber operations.

The ratio of current assets to current liabilities was 1.1:1 at September 30, 2026, compared to 0.7:1 at June 30, 2026, and 1.1:1 at September 30, 2025. The improvement from the prior quarter primarily reflects the classification of substantially all of our borrowings as non-current following the Lender Amendments, together with higher cash balances following the advance under the LETL Loan.

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 and restricted cash. Total capitalization is calculated as the sum of net debt and equity. Net debt at September 30, 2026, increased by approximately $16.0 million to $115.1 million from $99.1 million at June 30, 2026, primarily due to the advance under the LETL Loan, partially offset by higher cash balances. The net debt to capitalization ratio was approximately 83% at September 30, 2026, 76% at June 30, 2026, and 56% at September 30, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

(unaudited, in millions of dollars)	Q3 2026	Q2 2026	YTD 2026	Q3 2025	YTD 2025
Cash generated from (used in)					
Operating activities	(8.8)	3.6	(18.8)	0.3	0.5
Investing activities	(2.2)	(1.9)	(4.1)	(0.2)	(2.7)
Financing activities	17.1	(4.1)	25.9	(1.4)	0.3
Increase (decrease) in cash	6.1	(2.3)	2.9	(1.3)	(1.9)

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 an adequate supply of fibre to our Mackenzie Mill during the shoulder seasons. Factors such as disruption of transportation services by third party providers, variability in export shipments and operating rates can impact the level of lumber inventories. We believe our practices with respect to working capital conform to common business practices in our industry.

Net cash used in operations was $8.8 million in the third quarter of 2026, compared to net cash generated of $3.6 million in the second quarter of 2026 and $0.3 million in the third quarter of 2025. Operating cash outflows in the current quarter reflect the operating loss incurred while our Mackenzie Mill and Power Plant were curtailed, together with changes in non-cash working capital that used cash of $3.4 million (primarily from an increase in trade and other receivables and reductions in trade payables, accrued liabilities and employee liabilities), whereas the previous quarter benefited from the drawdown of log and lumber inventories and the collection of trade receivables.

Investing Activities

Investing activities utilized cash of $2.2 million in the third quarter of 2026, compared to $1.9 million in the second quarter of 2026 and $0.2 million in the third quarter of 2025. Capital expenditures in the current quarter primarily related to the capitalized portion of our shutdown work at our Power Plant of approximately $2.1 million.

Financing Activities

Our financing activities generated $17.1 million in the third quarter of 2026, compared to cash utilized of $4.1 million in the previous quarter and $1.4 million in the third quarter of 2025. Cash generated in the current quarter primarily reflected net advances of $20.8 million under the LETL Loan and the PenderFund Term Loan and a $1.3 million release of restricted cash, partially offset by interest payments of $2.6 million, financing fees of $2.4 million and lease payments of $0.1 million.

Liquidity

Our principal sources of funds are cash on hand, cash flows from operations and borrowings under our credit facilities. As at September 30, 2026, we had drawn $35.4 million against the PenderFund Term Loan, compared to $34.4 million in the previous quarter and $32.7 million in the third quarter of 2025, and $19.8 million under the LETL Loan.

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

At September 30, 2026, we had unrestricted cash of $7.4 million, an increase from $1.3 million as at June 30, 2026 and $1.7 million as at September 30, 2025. In addition, $10.2 million remained undrawn under the LETL Loan at September 30, 2026, the availability of which remains subject to the conditions described under the heading "Recent Developments". The increase in liquidity relative to the previous quarter primarily reflects the proceeds of the LETL Loan, partially offset by operating cash outflows during the curtailment, interest payments and financing costs.

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$49.4 million paid by us, net of certain prior sales of such deposits, since the inception of the current softwood lumber trade dispute remain held in trust by the US pending administrative reviews and the conclusion of all appeals of US decisions. We expect future cash flows could be adversely impacted by the AD and CVD duty deposits to the extent additional costs on US destined shipments are not mitigated by higher lumber prices.

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

In September 2026, Conifex entered into the LETL Loan and completed the Lender Amendments. These financings improved Conifex's liquidity and financial flexibility. Conifex continues to work collaboratively with its lenders; however, there can be no assurance that any additional accommodations under its existing facilities or additional financing will be available on acceptable terms or at all.

At September 30, 2026, $10.2 million remained available under the LETL Loan, subject to the completion by Conifex of certain conditions, including evidence satisfactory to CEEFC that certain Mackenzie Mill restart milestones have been or will be met by specified dates. Conifex's cash flow forecast indicates that, without access to these funds or other financing, Conifex would not have sufficient liquidity to fund its operations beyond December 2026. As at the date of this MD&A, Power Plant operations have resumed and Mackenzie Mill operations are currently expected to resume in or about December 2026. If the remaining funds under the LETL Loan are not available when required, Conifex would need to seek additional accommodations from its existing lenders or obtain alternative sources of financing, delay the restart of the Mackenzie Mill and/or implement further measures to reduce costs and preserve liquidity. There can be no assurance that the conditions to the remaining advance under the LETL Loan will be satisfied or that any such measures would be successful.

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. Our Mackenzie Mill operations, which were temporarily curtailed in May 2026 due to a shortage of available sawlogs through the seasonal breakup period, remained curtailed throughout the third quarter of 2026 and are anticipated to resume in or about December 2026; however, the timing of a successful restart remains contingent upon, among other things, the availability of additional financings under the LETL Loan, the availability of sufficient sawlog inventory and market conditions. Conifex's ability to continue as a going concern is dependent on the successful restart of the Mackenzie Mill, realize positive cash flows from operations, obtain additional financing from lenders (including accessing the remaining $10.2 million available under the LETL Loan) and maintain compliance with the terms, restart milestones and financial covenants of its loan agreements. 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. Conifex is also affected by regional supply and demand dynamics for the residual chips produced as a by-product of its lumber manufacturing operations, and a sustained reduction in demand or pricing for residual chips could adversely affect Mackenzie Mill operations and may result in production curtailments. The financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should Conifex be unable to continue as a going concern, which could be material.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as at September 30, 2026, were comprised of standby letters of credit totalling $3.0 million posted by our wholly-owned subsidiary Conifex Power Inc. 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 issued under letter of credit facilities with CIBC, supported by Export Development Canada and secured by a cash collateral account.

Transactions Between Related Parties

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

SELECTED QUARTERLY FINANCIAL INFORMATION

Quarterly Earnings Summary

(in millions of dollars, except where otherwise noted)	2026 Q3	2026 Q2	2026 Q1	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4
Revenue	0.7	23.0	21.8	26.1	38.2	33.9	44.6	31.0
Operating income (loss)	(6.3)	(7.8)	(9.8)	(15.9)	(19.5)	(4.5)	2.3	(3.0)
Net income (loss) from continuing operations	(7.9)	(9.5)	(9.4)	(11.4)	(16.6)	(8.3)	0.6	(11.8)
Net income (loss) – total operations	(7.9)	(9.5)	(9.4)	(11.4)	(16.6)	(8.3)	0.6	(11.8)
Net income (loss) per share – basic	(0.19)	(0.23)	(0.23)	(0.28)	(0.41)	(0.20)	0.02	(0.29)
Net income (loss) per share – diluted	(0.19)	(0.23)	(0.23)	(0.28)	(0.41)	(0.20)	0.02	(0.29)
EBITDA from continuing operations[1]	(5.7)	(6.3)	(7.7)	(12.6)	(16.6)	(3.2)	4.9	(2.1)
Shares outstanding – weighted average (in millions)	40.8	40.8	40.8	40.8	40.8	40.8	40.7	40.6
Diluted Shares (in millions)	40.8	40.8	40.8	40.8	40.8	40.8	40.7	40.6
Statistics (in millions, except rate, prices and GWh)								
Production – WSPF lumber	0.0	14.1	21.7	27.8	38.5	35.3	46.3	24.8
Shipments – WSPF lumber	0.0	23.6	21.5	24.2	40.1	38.9	38.0	24.8
Shipments – wholesale lumber	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity production – GWh	0.0	19.8	36.7	55.3	47.6	29.6	47.6	54.2
Average exchange rate – $/US$[2]	0.715	0.723	0.729	0.717	0.726	0.723	0.697	0.715
Average WSPF 2x4 #2 & Btr lumber price (US$)[3]	$487	$488	$463	$422	$477	$471	$492	$435
Average WSPF 2x4 #2 & Btr lumber price ($)[4]	$681	$675	$635	$589	$657	$651	$706	$608
Reconciliation of EBITDA to net income (loss)								
Net income (loss) from continuing operations	(7.9)	(9.5)	(9.4)	(11.4)	(16.6)	(8.3)	0.6	(11.8)
Add: Finance costs	3.3	3.1	2.8	3.6	4.4	2.4	2.3	1.9
Amortization	0.5	1.5	2.0	3.1	3.1	1.9	2.8	3.1
Deferred income tax expense (recovery)	(1.6)	(1.4)	(3.2)	(7.8)	(7.5)	0.8	(0.7)	4.6
EBITDA from continuing operations[1]	(5.7)	(6.3)	(7.7)	(12.6)	(16.6)	(3.2)	4.9	(2.1)

(1) Conifex's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization.
(2) Bank of Canada, www.bankofcanada.ca.
(3) Random Lengths Publications Inc. (WSPF, 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 deposit 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 an adequate supply of fibre to our Mackenzie Mill during the shoulder seasons when logging operations are generally largely curtailed due to unstable road and ground conditions. Operating rates are typically lower, and unit manufacturing costs higher, during the fourth quarter of each year due to planned curtailments related to seasonal holidays.

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

OUTLOOK

Market conditions for Canadian softwood lumber producers are expected to remain challenging through the remainder of 2026 and into 2027, shaped by a combination of macroeconomic uncertainty, evolving US housing demand, and ongoing trade dynamics.

Lumber prices softened through the third quarter of 2026, and volatility is likely to persist as supply adjusts to market conditions. Several producers have announced curtailments or reduced operating schedules, and further supply rationalization may be required to balance markets if demand recovery is slower than anticipated.

The final results of AR7, published by the US administration in October 2026, reduced the combined AD and CVD cash deposit rate applicable to Conifex to 24.75% from 35.16% for shipments entered on or after October 19, 2026. The 10% tariff on Canadian lumber exported to the US, imposed under Section 232 of the Trade Expansion Act of 1962 (United States) since October 2025, continues to apply. The expected impact of AR7 on the fourth quarter results of Conifex is discussed under the heading "Subsequent Events". Trade uncertainty remains a significant factor for Conifex and we continue to monitor developments closely.

Following the entering into of the LETL Loan and the Lender Amendments, Conifex is advancing restart planning for the Mackenzie Mill. Mackenzie Mill operations are currently expected to resume in or about December 2026, once the conditions necessary for a successful startup, including sufficient sawlog inventory, have been satisfied. Power Plant operations resumed on November 10, 2026. Conifex remains focused on operational efficiency, disciplined capital allocation, and cost management to navigate current market conditions while positioning for potential improved pricing and demand as broader economic conditions normalize. Conifex's near-term liquidity will depend on, among other things, the timing of the Mackenzie Mill restart and access to the remaining $10.2 million available under the LETL Loan, which is subject to certain conditions, including evidence satisfactory to CEEFC that certain Mackenzie Mill restart milestones have been or will be met.

CRITICAL ACCOUNTING ESTIMATES

We did not make any significant changes to our critical accounting estimates during the quarter ended September 30, 2026. Our critical accounting estimates are described in our MD&A for the year ended December 31, 2025, filed on SEDAR+ at www.sedarplus.ca.

RISKS AND UNCERTAINTIES

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

The LETL Loan, the Lender Amendments and the RTRI Agreement (as defined herein) have increased our overall indebtedness. The LETL Loan is secured by substantially all of our property and requires compliance with certain covenants and conditions, including Mackenzie Mill restart milestones. A failure to comply with such covenants and conditions could result in a default under such agreements, permitting our lenders to accelerate repayment and enforce their security. There can be no assurance that the conditions to accessing the remaining $10.2 million available under the LETL Loan have been or will be satisfied by Conifex. If these funds are not available when required, we may not have sufficient liquidity to fund our operations (see "Liquidity and Capital Resources – Liquidity"). In addition, interest paid in kind pursuant to the PenderFund Term Loan and the CPLP Term Loan during the Payment Holiday will increase the principal outstanding under those facilities, and the resumption of scheduled principal repayments after the Payment Holiday will increase our debt service requirements. Advances of the Repayable RTRI Funding (as defined herein) are subject to, among other conditions, the incurrence of eligible costs, and repayment of the Repayable RTRI Funding in monthly instalments commencing in April 2029 will further increase our debt

service requirements. Our increased indebtedness could limit our flexibility to respond to changing market conditions and our ability to obtain additional financing.

OUTSTANDING SECURITIES

As at November 10, 2026, we had 41,412,710 common shares, 4,320,000 warrants and 2,074,804 long-term incentive plan awards outstanding.

In connection with the LETL Loan, Conifex has agreed to issue warrants to CEEFC. The number of warrants, exercise price, term and other material terms will be set out in the definitive warrant documentation to be entered into. Concurrently, Conifex has agreed to extend the expiry of PenderFund's existing 4,320,000 warrants by one year to January 17, 2031. All of the foregoing remains subject to Toronto Stock Exchange approval.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2026, there were no changes that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ADDITIONAL INFORMATION

Additional information about Conifex, including our 2025 annual information form, is available on SEDAR+ at www.sedarplus.ca.

SUBSEQUENT EVENTS

Softwood Lumber Duties

On October 14, 2026, the US administration announced the final results of the seventh administrative review ("AR7") of the softwood lumber AD and CVD orders, covering shipments made during 2024. The results of AR7 took effect on October 19, 2026. The final rates applicable to Conifex are 10.64% (AD) and 14.11% (CVD), for a combined rate of 24.75%, compared to the post-preliminary combined rate of 25.18% and the previously prevailing combined cash deposit rate of 35.16% (20.53% AD and 14.63% CVD). The revised cash deposit rates apply to shipments entered on or after October 19, 2026. The 10% tariff on Canadian softwood lumber imposed under Section 232 of the Trade Expansion Act of 1962 of the United States continues to apply in addition to these rates.

During 2024, Conifex's shipments were assessed cash deposits at weighted average rates of 6.79% (AD) and 3.60% (CVD). Because the final AR7 rates exceed the rates at which deposits were made on 2024 shipments, we estimate that we will recognize a non-cash export duty expense of approximately US$5.7 million ($8.1 million), together with accrued interest of approximately US$0.9 million ($1.3 million), in the fourth quarter of 2026.

Regional Tariff Response Initiative Repayable Funding and Non-Repayable Grant

In October 2026, Conifex entered into an agreement (the "RTRI Agreement") with Pacific Economic Development Canada under the Regional Tariff Response Initiative ("RTRI") providing for $10.0 million of interest-free, unsecured repayable funding (the "Repayable RTRI Funding") and a $1.0 million non-repayable grant, collectively to support eligible capital expenditures in connection with an approved phased capital expenditure program. The RTRI funding complements the LETL Loan and is intended to support investments that improve the productivity, efficiency and competitiveness of the Mackenzie Mill as operations resume, while reducing the amount of capital expenditures Conifex would otherwise be required to fund from operating cash flows or other sources. The Repayable RTRI Funding is repayable in 60 monthly instalments from April 2029 to March 2034. The advance of funds pursuant to the RTRI Agreement is subject to, among other conditions, the incurrence of eligible costs.