Condensed consolidated interim financial statements of

Conifex Timber Inc.

September 30, 2026
(Unaudited)

Conifex Timber Inc.

Condensed consolidated balance sheets
as at September 30, 2026 (unaudited)

(thousands of Canadian dollars)	Notes	**As at September 30, 2026**	As at December 31, 2025
		$	$
Assets			
Current assets			
Cash and cash equivalents		**7,375.5**	4,433.3
Cash - restricted	6	**19.3**	2,494.5
Trade and other receivables		**4,282.8**	6,020.7
Prepaid expenses and deposits		**15,546.4**	13,758.2
Inventories	4	**9,962.8**	13,117.7
Current assets		**37,186.8**	39,824.4
Property, plant and equipment	5	**111,449.4**	111,293.3
Intangible assets		**2,992.1**	3,052.7
Goodwill		**1,875.0**	1,875.0
Long-term duty receivable		**11,893.9**	11,090.4
Long-term investments and other	11	**18,987.5**	19,260.5
Deferred income tax assets	8	**27,449.8**	21,270.8
Total assets		**211,834.5**	207,667.1
Liabilities			
Current liabilities			
Trade payables, accrued liabilities and other payables		**25,962.3**	30,216.9
Current portion of reforestation obligations		**6,584.5**	3,099.9
Employee liabilities		**127.7**	555.1
Current portion of long-term debt	6	**894.0**	86,314.0
Current liabilities		**33,568.5**	120,185.9
Reforestation obligations		**6,864.2**	10,364.5
Environmental liabilities		**1,294.2**	1,294.2
Other long-term liabilities		**5,918.7**	6,393.4
Long-term debt	6	**121,606.3**	1,337.5
Long-term duty payable	11	**19,781.1**	18,351.2
Non-current liabilities		**155,464.5**	37,740.8
Total liabilities		**189,033.0**	157,926.7
Equity			
Share capital	7	**246,391.2**	246,391.2
Contributed surplus		**44,945.3**	45,045.0
Retained earnings (deficit)		**(269,104.0)**	(242,265.3)
Accumulated other comprehensive income		**569.0**	569.5
Total equity		**22,801.5**	49,740.4
Total liabilities and equity		**211,834.5**	207,667.1

Note 1- Going concern

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

Conifex Timber Inc.

Condensed consolidated statements of net loss and comprehensive loss
as at September 30, 2026 (unaudited)

(thousands of Canadian dollars)	Notes	Three months ended September 30, 2026	Three months ended September 30, 2025	Nine months ended September 30, 2026	Nine months ended September 30, 2025
		$	$	**$**	$
Revenue	9	**670.8**	38,161.9	**45,435.4**	116,650.7
Costs and expenses					
Cost of goods sold		**6,001.3**	35,381.8	**51,173.4**	95,128.2
Freight and distribution costs		**66.0**	5,663.5	**7,689.9**	18,321.4
Softwood lumber duties	11	**-**	15,255.6	**6,704.1**	20,073.6
Selling, general and administrative		**873.6**	1,383.6	**3,763.5**	4,698.5
		6,940.9	57,684.5	**69,330.9**	138,221.7
Operating loss		**(6,270.1)**	(19,522.6)	**(23,895.5)**	(21,571.0)
Gain on disposal of assets		**-**	-	**8.8**	-
Finance costs and accretion		**(3,317.5)**	(4,380.9)	**(9,291.8)**	(9,048.6)
Foreign exchange gain (loss)		**8.3**	(197.2)	**(161.1)**	(1,184.2)
Other income		**120.0**	5.8	**313.4**	156.6
		(3,189.2)	(4,572.3)	**(9,130.7)**	(10,076.2)
Loss before taxes		**(9,459.3)**	(24,094.9)	**(33,026.2)**	(31,647.2)
Income tax expense (recovery):					
Current		**-**	-	**-**	-
Deferred		**(1,564.5)**	(7,480.4)	**(6,179.0)**	(7,451.1)
	8	**(1,564.5)**	(7,480.4)	**(6,179.0)**	(7,451.1)
Loss from continuing operations		**(7,894.8)**	(16,614.5)	**(26,847.2)**	(24,196.1)
Net loss		**(7,894.8)**	(16,614.5)	**(26,847.2)**	(24,196.1)
Other comprehensive income (loss)					
Foreign exchange translation of foreign operations, net of tax		**-**	3.1	**(0.5)**	0.1
Other comprehensive income (loss), net of tax		**-**	3.1	**(0.5)**	0.1
Total comprehensive loss for the period		**(7,894.8)**	(16,611.4)	**(26,847.7)**	(24,196.0)
Net loss per share, basic: (in dollars)		**(0.20)**	(0.41)	**(0.66)**	0.60
Net loss per share, diluted: (in dollars)		**(0.20)**	(0.37)	**(0.66)**	0.54

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

Conifex Timber Inc.

Condensed consolidated statements of changes in equity
as at September 30, 2026 (unaudited)

(thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income	Total equity
Balance at December 31, 2024	246,391.2	45,478.2	(206,598.8)	570.7	85,841.3
Net loss for the nine months ended September 30, 2025	-	-	(24,196.1)	-	(24,196.1)
Repurchase of common shares		-	-	-	-
Issue of common shares upon vesting of share-based payment	-	(259.9)		-	- (259.9)
Foreign exchange translation of foreign operations, net of tax	-	-	-	0.1	0.1
Balance at September 30, 2025	246,391.2	45,218.3	(230,794.9)	570.8	61,385.4
Net loss for the period from Sep 30, 2025 to December 31, 2025	-		(11,470.4)		(11,470.4)
Issue of common shares upon vesting of share-based payment	-	(173.3)			(173.3)
Foreign exchange translation of foreign operations, net of tax	-	-	-	(1.3)	- (1.3)
Balance at December 31, 2025	246,391.2	45,045.0	(242,265.3)	569.5	49,740.4
Net loss for the nine months ended September 30, 2026	-	-	(26,847.2)	-	(26,847.2)
Recognition of share-based payments	-	(99.7)	-	-	(99.7)
Foreign exchange translation of foreign operations, net of tax	-	-	8.5	(0.5)	8.0
Balance at September 30, 2026	**246,391.2**	**44,945.3**	**(269,104.0)**	**569.0**	**22,801.5**

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

Conifex Timber Inc.

Condensed consolidated statements of cash flows
as at September 30, 2026 (unaudited)

(thousands of Canadian dollars)	Three months ended September 30, 2026	2025	Nine months ended September 30, 2026	2025
	$	$	**$**	$
Cash flows from operating activities				
Net loss	**(7,894.8)**	(16,614.5)	**(26,847.7)**	(24,196.1)
Items not affecting cash:				
Amortization and depreciation	**455.8**	3,149.8	**4,044.4**	7,847.0
Change in reforestation obligations	**569.6**	283.7	**(15.7)**	1,652.6
Finance costs and accretion	**3,317.5**	2,435.9	**9,292.5**	7,098.0
Income tax recovery	**(1,564.5)**	(7,480.4)	**(6,179.0)**	(7,451.1)
Share-based compensation	**(103.3)**	82.4	**(99.7)**	(259.8)
Load Displacement Agreement accretion	**(156.9)**	(156.9)	**(470.6)**	(470.6)
Share of loss of joint venture	**0.2**	-	**0.9**	(851.9)
	(5,376.4)	(18,300.0)	**(20,274.9)**	(16,631.9)
Change in:				
Trade and other receivables	**(2,436.3)**	(2,785.1)	**1,728.2**	(3,188.6)
Prepaid expenses and deposits	**201.1**	1,927.7	**97.3**	2,912.8
Inventories	**30.7**	2,174.5	**3,154.9**	(1,424.9)
Accounts payable, accrued liabilities and other payables	**(828.2)**	17,231.1	**(3,106.8)**	18,152.2
Employee liabilities	**(385.2)**	63.0	**(427.3)**	670.3
Net cash provided from (used in) operating activities	**(8,794.3)**	311.2	**(18,828.6)**	489.9
Cash flows from investing activities				
Additions to property, plant and equipment	**(2,186.8)**	(207.1)	**(4,136.1)**	(2,721.9)
Net cash provided from (used in) investing activities	**(2,186.8)**	(207.1)	**(4,136.1)**	(2,717.1)
Cash flows from financing activities				
Proceeds (repayment) of leases	**-**	-	**-**	(334.9)
Repayment from capital lease	**(120.7)**	(12.4)	**(971.9)**	(12.4)
Advances of BDC Term Loan	**-**	-	**19,000.0**	-
Advances of LETL Term Loan	**19,800.0**	-	**19,800.0**	-
Advances (Repayment), net of payment of term loans	**1,030.1**	1,200.0	**(2,983.4)**	6,318.4
Financing fees	**(2,427.3)**	(224.0)	**(3,769.9)**	200.6
Interest paid	**(2,554.6)**	(2,478.5)	**(7,642.5)**	(7,384.4)
Change in restricted cash	**1,322.8**	115.5	**2,475.2**	1,495.2
Net cash provided from (used in) financing activities	**17,050.3**	(1,399.4)	**25,907.5**	282.5
Net increase (decrease) in cash	**6,069.2**	(1,295.3)	**2,942.8**	(1,944.7)
Foreign exchange effect on cash	**(0.2)**	3.1	**(0.6)**	0.1
Cash and cash equivalents, beginning of period	**1,306.5**	2,992.2	**4,433.3**	3,644.6
Cash and cash equivalents, end of period	**7,375.5**	1,700.0	**7,375.5**	1,700.0

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

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company’s financial results have been continuously impacted by duty and tariff increases imposed by the United States of America on softwood lumber imports. The uncertainty and impact of duties and tariffs related to generating positive cash flows from operations are unknown and indeterminable at this time. This has resulted in higher costs and reduced margins, creating uncertainty regarding future operating cash flows and profitability. After adjustments for working capital items, net cash outflow from operations was $18.8 million for the nine months ended September 30, 2026. Net working capital at September 30, 2026 was $3.6 million including cash of $7.4 million. As a result, the Company has determined there is material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

On September 18, 2026, Conifex entered into the LETL Loan (as defined herein, note 6(e)) and the Lender Amendments (as defined herein). On September 18, 2026, in connection with the entering into of the LETL Loan (note 6(e)), Conifex also entered into: a second amended and restated credit agreement with Pender Corporate Bond Fund (“PenderFund”) in respect of the PenderFund Term Loan (as defined herein) (note 6(c)); an amendment to the CPLP Term Loan (as defined herein) (note 6(b));; and an amendment to the BDC Loan (as defined herein) (note 6(d)) (collectively, 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. Conifex continues to work collaboratively with its lenders, although 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.

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

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

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

2. MATERIAL ACCOUNTING POLICIES

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

2.1 Statement of compliance

The condensed consolidated financial statements of Conifex have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, under International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The consolidated financial statements were approved by the Board of Directors on November 10, 2026.

2.2 Basis of measurement

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

2.3 Basis of consolidation

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

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

2.4 Functional and presentation currency

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

2.5 Foreign currency translation

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

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

2.6 Cash

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

2.7 Financial instruments

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the

recognition of interest would be immaterial. Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the asset have been impacted.

(b) Derivative financial instruments
The Company at times utilizes derivative financial instruments to manage its commodity lumber price exposures in the ordinary course of business and interest rate variability. Lumber derivatives are classified as financial assets at fair value through profit and loss. These financial assets are initially recognized at fair value on the date a lumber derivative contract is entered into and are subsequently re-measured at their fair value. The fair values are determined by using observable market inputs for identical assets and liabilities and thus reflect the estimated amount that the Company would have paid or received if required to settle all outstanding contracts at period end. The resulting gain or loss is recognized as a gain (loss) on lumber derivative instruments in the statement of net income each period unless the lumber derivative is designated as a hedging instrument under IFRS. If the lumber derivative is designated as a hedging instrument, any unrealized gains or losses are deferred and recognized in earnings when the related hedge transaction occurs.

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

3. SEASONALITY OF OPERATIONS

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

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

4. INVENTORIES

	September 30, 2026	December 31, 2025
	$	$
Logs	1,167.2	955.6
Lumber	315.9	4,164.1
Supplies	7,709.9	7,437.1
By-products	769.8	560.9
	9,962.8	**13,117.7**

The above inventory balances are stated after inventory write-downs from cost to net realizable value. Inventory has been written down by $0.2 million as at September 30, 2026 (December 31, 2025 – $3.0 million). Write-downs are included in cost of goods sold when incurred.

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings / equipment	ROU assets	Capital work in progress	Total
	$	$	$	$	**$**
Cost					
At December 31, 2024	2,912.8	218,307.8	5,406.5	3,496.1	**230,123.2**
Net additions	-	4,104.2	235.1	4,269.3	**8,608.6**
Disposals	-	(299.0)	-	(4,111.4)	**(4,410.4)**
At December 31, 2025	2,912.8	222,113.0	5,641.6	3,654.0	**234,321.4**
Net additions	-	-	403.2	4,088.1	**4,491.3**
Disposals	-	-	(196.8)	(261.5)	**(458.3)**
At September 30, 2026	**2,912.8**	**222,113.0**	**5,848.0**	**7,480.6**	**238,354.4**
Accumulated depreciation					
At December 31, 2024	-	(109,071.4)	(3,562.6)	-	**(112,634.0)**
Depreciation charge for the year	-	(10,163.2)	(529.9)	-	**(10,693.1)**
Disposals	-	299.0	-	-	**299.0**
At December 31, 2025	-	(118,935.6)	(4,092.5)	-	**(123,028.1)**
Depreciation charge for the period	-	(3,510.6)	(465.3)		**(3,975.9)**
Disposals	-	-	99.0	-	**99.0**
At September 30, 2026	**-**	**(122,446.2)**	**(4,458.8)**	**-**	**(126,905.0)**
Carrying amount					
At December 31, 2025	2,912.8	103,177.4	1,549.1	3,654.0	111,293.3
At September 30, 2026	**2,912.8**	**99,666.8**	**1,389.2**	**7,480.6**	**111,449.4**

6. BORROWINGS

	September 30, 2026	December 31, 2025
	$	$
Non-current		
Leases (a)	1,305.6	1,337.4
CPLP term loan (b)	45,977.0	-
PenderFund Term loan (c)	35,425.0	-
BDC Term loan (d)	19,000.0	-
LETL Loan (e)	19,898.7	-
Total non-current borrowings	121,606.3	1,337.4
Current		
Current portion of leases (a)	894.0	1,010.0
Current portion of CPLP (b)	-	49,367.7
Current portion of PenderFund Term loan (c)	-	35,936.3
Total current portion	894.0	86,314.0
Total borrowings	**122,500.3**	**87,651.4**

(a) Leases

Leases are for office spaces, mobile and other equipment. The leases expire between 2026 and 2030 and the weighted average incremental borrowing rate is 6.5% per annum. The principal balance outstanding on September 30, 2026, is $2.2 million (December 31, 2025 – $2.3 million).

Interest expense on lease obligations for the nine months ended September 30, 2026 was $0.1 million (year ended December 31, 2025 – $0.1 million). Total payments for leases, including interest, in the nine-month period were $0.7 million (year ended December 31, 2025 – $1.2 million).

(b) CPLP Term Loan

Conifex Power Limited Partnership, a wholly-owned subsidiary of the Company (“CPLP”), completed a $70.0 million secured term loan (the "CPLP Term Loan”) with a syndicate of private lenders in October 2018. The CPLP Term Loan is for a term of 15 years, repayable quarterly commencing December 2018 and bore interest at a fixed rate of 6.1% per annum. In March 2024, CPLP amended the CPLP Term Loan to, among other things, release certain restricted cash thereunder, the proceeds of which were applied to pay down the Company’s secured revolving credit facility with Wells Fargo Capital Finance Corporation Canada, which credit facility has since been retired. Following this amendment, the CPLP Term Loan bears interest at a stepped-up interest rate per annum commencing at 7.35% and currently at 8.75%.

The CPLP Term Loan is primarily secured by a first priority security interest on existing and after acquired assets of the bioenergy operations.

In connection with the entering into of the LETL Loan (note 6(e)), CPLP obtained an amendment to the CPLP Term Loan as part of the Lender Amendments (note 1). Under such amendment, scheduled principal repayments under the CPLP Term Loan are deferred until September 2028 and interest is paid in kind and added to the outstanding principal during the Payment Holiday. Certain restricted cash held under the CPLP Term Loan was also released. As a result of the amendment, the CPLP Term Loan was classified as non-current as at September 30, 2026.

As at September 30, 2026, CPLP held less than $0.1 million of cash in restricted accounts (December 31, 2025 – $2.5 million). Funds from restricted accounts are distributed in accordance with the terms of the CPLP Term Loan. Deferred financing costs of $1.2 million were netted against the CPLP Term Loan as at September 30, 2026 (December 31, 2025 – $1.5 million).

(c) PenderFund Term Loan

On June 12, 2024, the Company entered into a $25.0 million secured term loan (the “PenderFund Term Loan”) with PenderFund.

In January 2025, the Company amended the PenderFund Term Loan to increase the aggregate principal amount thereunder to up to $41 million, of which $5 million was drawn immediately and the remaining $11 million was subject to completion of financial due diligence. The Company drew an additional $3.5 million in the first quarter of 2025 (the "First Advance") to fund its 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, the Company entered into a letter of undertaking with PenderFund pursuant to which it agreed to repay $500,000 of the First Advance in early July 2025, and $150,000 each month thereafter until the First Advance was repaid in full.

In September 2025, the Company drew an additional $4.0 million, and in October 2025, it drew an additional $1.0 million (collectively, the “Second Advance”), which the Company has agreed to repay on the later of January 31, 2027 and twelve months after funding the BDC Loan (note 6(d)).

In December 2025, the Company drew an additional $3.0 million (the “Third Advance”), which was due in the first quarter of 2026.

In February 2026, PenderFund advanced an additional $5.0 million (the "Fourth Advance") to support working capital requirements and fund the resumption of two-shift operations at the Mackenzie Mill, which was due in the first quarter of 2026.

In March 2026, the Third Advance and the Fourth Advance of totalling $8.0 million were repaid following Conifex’s completion of the BDC Loan.

In July and August 2026, Conifex received advances totalling $7.1 million under the PenderFund Term Loan ($0.4 million on July 9, $6.0 million on July 17 and $0.7 million on August 25) (together, the “Bridge Advances”) to fund certain budgeted expenses and accrued principal and interest payments. In September 2026, $3.7 million of the Bridge Advances was repaid from the proceeds of the LETL Loan (note 6(e)) and the remaining $3.4 million was added to the principal of amounts owing by Conifex pursuant to the PenderFund Term Loan. The total aggregate principal amount outstanding under the PenderFund Term Loan as at September 30, 2026 was approximately $35.4 million.

In connection with the BDC Loan, Conifex, together with certain of its wholly-owned subsidiaries, the Business Development Bank of Canada (“BDC”), and PenderFund, entered into a priority agreement pursuant to which, among other things, PenderFund agreed that for a period of twelve months from March 4, 2026, it would not, without BDC's prior written consent, cancel or restrict the availability of the PenderFund Term Loan or accelerate or take any enforcement measures with respect to any amounts owing to PenderFund, except in the case of certain material defaults.

In connection with the entering into of the LETL Loan (note 6(e)), Conifex entered into the second amended and restated PenderFund Term Loan as part of the Lender Amendments (note 1). Under such amended and restated agreement, scheduled principal repayments under the PenderFund Term Loan are deferred until September 2028 and interest is paid in kind and added to the outstanding principal during the Payment Holiday. The loan continues to have a term of five years from original issuance. As a result of the Lender Amendments, the PenderFund Term Loan was classified as non-current as at September 30, 2026.

As partial consideration for the PenderFund Term Loan, PenderFund has received a total of 4,320,000 warrants, with each warrant being exercisable into one common share for a period of five years on payment of $0.50 per

warrant. 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.

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

Under IAS 1, Presentation of Financial Statements, covenants with which the Company is required to comply on or before the reporting date affect the classification of the related liability as current or non-current at that date, even if compliance with the covenant is assessed only after the reporting date. In connection with the BDC Loan, PenderFund agreed to postpone its rights under an event of default to call the debt for 12 months from March 4, 2026. On March 10, 2026, the Company also secured a waiver from PenderFund stipulating that effective December 31, 2025, it would waive any covenants pertaining to the audited consolidated financial statements of the Company for the year ended December 31, 2025.

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

On March 4, 2026, the Company entered into a secured term loan with BDC for $19.0 million under the Softwood Lumber Guarantee Program (the "BDC Loan"). All loan proceeds were received on March 5, 2026.

The loan matures on July 15, 2033, bears interest at BDC's floating base rate less 0.60% per annum and is secured by the Company's lumber business assets. The loan allows for interest-only payments until August 2028.

(e) 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 CPLP made concurrently with CPLP's principal payments under the CPLP Term Loan, 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.

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. The foregoing remains subject to Toronto Stock Exchange approval.

7. SHARE CAPITAL

Common share activity of the Company is as follows:

	Number of common shares (in thousands)	Amount
		$
Balance at December 31, 2025 and September 30, 2025	40,767	246,391.2
Shares vested under share-based compensation plan during the nine months ended September 30, 2026	-	-
Balance at September 30, 2026	**40,767**	**246,391.2**

As noted in note 6, 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.

8. INCOME TAX

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2026	2025	2026	2025
	$	$	$	$
Current	-	-	-	-
Deferred	(1,564.5)	(7,480.4)	(6,179.0)	(7,451.1)
	(1,564.5)	**(7,480.4)**	**(6,179.0)**	**(7,451.1)**

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2026	2025	2026	2025
	$	$	$	$
Loss before taxes	(9,459.3)	(24,091.5)	(33,026.3)	(31,721.7)
Income tax expense (recovery) at corporate rate of 27% (2025 – 27%)	(2,554.0)	(6,504.7)	(8,917.2)	(8,564.9)
Non-deductible (non-taxable) items for tax purposes	945.4	64.8	2,330.1	96.3
Change in deferred tax assets not recognized	3.5	(1,175.5)	407.5	(1,175.5)
Other	40.6	135.0	0.6	2,193.0
Total income tax expense (recovery)	**(1,564.5)**	**(7,480.4)**	**(6,179.0)**	**(7,451.1)**

9. REVENUE

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2026	**2025**	**2026**	**2025**
	$	$	**$**	$
Lumber	31.9	26,449.2	33,916.5	85,134.5
Lumber by-products and other	638.9	4,865.8	3,502.1	14,066.3
Bioenergy	-	6,847.0	8,016.8	17,450.0
	670.8	**38,161.9**	**45,435.4**	**116,650.7**

Revenues by geographic area were as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2026	**2025**	**2026**	**2025**
	$	$	**$**	$
United States	-	19,338.8	28,303.2	67,218.6
Canada	670.8	18,823.1	17,132.2	49,432.1
	670.8	**38,161.9**	**45,435.4**	**116,650.7**

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

10. FINANCIAL INSTRUMENTS

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

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

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

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

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

The Company did not hold any derivative financial instruments measured at fair value as at September 30, 2026 and December 31, 2025.

11. COUNTERVAILING AND ANTI-DUMPING DUTIES

In November 2016, a coalition of US lumber producers petitioned the US Department of Commerce ("USDOC") and the US International Trade Commission ("USITC") to investigate alleged subsidies to Canadian producers

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

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

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

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

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

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

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

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

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

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

On March 1, 2025, the US administration issued an executive order directing the Secretary of Commerce to determine whether imports of timber, lumber and derivative products threaten US national security. Effective October 14, 2025, the US administration imposed an additional tariff of 10% on softwood lumber imported into the US under Section 232 of the Trade Expansion Act of 1962. The duration of this tariff is uncertain.

On October 14, 2026, the US administration announced the final results of the seventh administrative review ("AR7") of the softwood lumber AD and CV 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% (CV), 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% CV). The revised cash deposit rates apply to shipments entered on or after October 19, 2026.

The final combined rate will apply to the Company's lumber shipments to the United States going forward. The estimated impact of the AR7 final rates on the Company's 2024 shipments is described in note 12.

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

Effective dates	CV	AD	Combined	CV	AD	Combined
Jan 1, 2019 to Dec 31, 2019	14.19%	6.04%	20.23%	6.32%	11.59%	17.91%
Jan 1, 2020 to Nov 30, 2020 [1]	14.19%	6.04%	20.23%	3.83%	4.76%	8.59%
Dec 1, 2020 to Dec 31, 2020	7.42%	1.57%	8.99%	3.83%	4.76%	8.59%
Jan 1, 2021 to Dec 1, 2021	7.42%	1.57%	8.99%	1.79%	6.26%	8.05%
Dec 2, 2021 to Dec 31, 2021	6.31%	11.59%	17.90%	1.79%	6.26%	8.05%
Jan 1, 2022 to Jan 9, 2022	6.31%	11.59%	17.90%	6.74%	7.66%	14.40%
Jan 10, 2022 to Aug 8, 2022	6.32%	11.59%	17.91%	6.74%	7.66%	14.40%
Jan 1, 2023 to Jul 31, 2023	3.83%	4.76%	8.59%	14.63%	20.53%	35.16%
Aug 1, 2023 to Sep 12, 2023	1.79%	6.20%	7.99%	14.63%	20.53%	35.16%
Sep 13, 2023 to Dec 31, 2023	1.79%	6.26%	8.05%	14.63%	20.53%	35.16%
Jan 1, 2024 to Aug 18, 2024	1.79%	6.26%	8.05%	14.11%	10.64%	24.75%
Aug 19, 2024 to Sep 25, 2024	6.74%	7.80%	14.54%	14.11%	10.64%	24.75%
Sep 26, 2024 to Jul 28, 2025	6.74%	7.66%	14.40%	14.11%	10.64%	24.75%
Jul 29, 2025 to Aug 11, 2025	6.74%	20.56%	27.30%	TBA	TBA	TBA
Aug 12, 2025 to Sep 10, 2025	14.63%	20.56%	35.19%	TBA	TBA	TBA
Sep 11, 2025 to Oct 18, 2026	14.63%	20.53%	35.16%	TBA	TBA	TBA
Oct 19, 2026 onwards	14.11%	10.64%	24.75%	TBA	TBA	TBA

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

The Company expensed CV and AD duty deposits totaling $6.7 million in the nine months ended September 30, 2026 (year ended December 31, 2025 – $22.8 million), based on the cash deposit rates in effect at the time of the shipment.

Notwithstanding the cash deposit rates and published final rates assigned under the investigations, the Company's final liability for the assessment of CV and AD will not be determined until each annual administrative review process is complete and related appeal processes are completed. Cumulative duties of US$49.4 million paid by the Company, net of sales of the right to refunds, since the inception of the current trade dispute remain held in trust by the US pending the administrative reviews and conclusion of all appeals of US decisions.

As at September 30, 2026, the net duty payable of $7.9 million (December 31, 2025 – $7.2 million), together with interest accrued thereon, is included on the Company's condensed consolidated balance sheet as long-term duty receivables of $11.9 million and long-term duty payable of $19.8 million, reflecting the difference between the cash deposit rate in effect and the final published CV and AD rates for the period between January 1, 2019 and December 31, 2023.

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

12. SUBSEQUENT EVENTS

Softwood Lumber Duties

As detailed under note 11, on October 14, 2026, the US administration announced the final results of AR7 of the softwood lumber AD and CV 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% (CV), 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% CV). 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% (CV). Because the final AR7 rates exceed the rates at which deposits were made on 2024 shipments, Conifex estimates that it 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.