

FORM 62-103F1

REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

State if the report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

This report updates information disclosed in a previous early warning report dated November 23, 2020.

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

Common shares ("**Shares**") of:

Conifex Timber Inc. (the "**Issuer**")
980 - 700 West Georgia Street
Vancouver, British Columbia
V7Y 1B6

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable. See Item 2.2.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

BW SLC AIV III, L.P. ("**BW LP**")
175 Greenwich Street, 65th Floor
New York, New York
10007

BW LP is a limited partnership organized under the laws of the State of Delaware. BW SLC Holdings, LLC ("**BW Holdings**"), Blue Wolf Capital Advisors III, LLC ("**Blue Wolf**") and Caddo River Forest Products Investment Holdings, LLC ("**Caddo**") are affiliates of BW LP.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On December 21, 2021, the Issuer announced the final results of its substantial issuer bid (the "**Issuer Bid**"). BW LP tendered all 7,036,526 of its Shares to the Issuer Bid and understands that 1,141,609 of its Shares (the "**Repurchased Shares**") will be repurchased by the Issuer in accordance with the terms of the Issuer Bid. In addition, on December 21, 2021, BW Holdings and Caddo surrendered for cancellation 2,125,000 and 179,878 warrants to purchase Shares (collectively, the "**Warrants**"), respectively.

2.3 State the names of any joint actors.

BW Holdings, Blue Wolf and Caddo may be considered joint actors of BW LP.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.

Prior to the completion of the Issuer Bid and the surrender of the Warrants, BW LP and its joint actors beneficially owned, and had control or direction over, 9,341,404 Shares (assuming the permitted exercise of the Warrants), representing approximately 19.99% of the issued and outstanding Shares.¹ Following the completion of the Issuer Bid and the surrender of the Warrants, BW LP and its joint actors will beneficially own, and will have control or direction over, 5,894,917 Shares, representing approximately 14.68% of the issued and outstanding Shares.²

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

See Items 2.2, 2.3 and 3.1.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

See Item 3.1.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

See Items 2.2, 2.3 and 3.1.

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

¹ The terms of the Warrants provided that BW Holdings and Caddo could not exercise the Warrants to the extent that such exercise would result in BW Holdings and Caddo, together with their affiliates and joint actors, beneficially owning, or having control or direction over, 20% or more of the outstanding Shares (the "**20% Cap**"). In the absence of the 20% Cap, the securityholding percentage of BW LP and its joint actors prior to the completion of the Issuer Bid and the surrender of the Warrants would have been approximately 20.11%.

² Based on 40,149,111 issued and outstanding Shares, as disclosed in the Issuer's news release dated December 21, 2021.

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

Not applicable.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

Not applicable.

Item 4 – Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

The Repurchased Shares will be repurchased by the Issuer at a price of \$2.25 per Share for aggregate consideration of \$2,568,620.25. The Warrants were surrendered for cancellation for nil consideration.

4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See Item 4.1.

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;
- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

BW LP tendered its Shares to the Issuer Bid, and BW Holdings and Caddo surrendered the Warrants for cancellation, in the normal course of their investment activities. BW LP holds Shares for investment purposes. Subject to the Nomination Rights and Standstill Agreement (as defined below) and applicable law, BW LP and its joint actors may, in the future, acquire or dispose of Shares or other securities of the Issuer depending upon a number of factors including, but not limited to, general market and economic conditions and other available investment opportunities.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees

of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Nomination and Standstill Agreement

Director Nomination Rights

Pursuant to the nomination and standstill agreement dated July 9, 2018 between the Issuer, BW Holdings and Blue Wolf (the “**Nomination and Standstill Agreement**”), Blue Wolf has the right, subject to certain terms and conditions, to designate up to two directors for nomination to the board of directors of the Issuer (“**Board**”) at each annual or special general meeting of the shareholders of the Issuer at which directors of the Issuer are nominated for election, so long as BW Holdings and its affiliates’ shareholdings are at least 50% of the 8,252,373 Shares acquired on July 9, 2018 (the “**Acquired Shares**”).

If, at any time, BW Holdings and its affiliates’ shareholdings are less than 50% of the Acquired Shares, Blue Wolf shall have the right to one nominee to the Board and, if such shareholdings are less than 25% of the Acquired Shares, Blue Wolf’s rights of nomination shall terminate.

Standstill

The Nomination and Standstill Agreement also provides that, subject to the terms and conditions thereof, neither BW Holdings nor its affiliates shall without the prior written consent of the Issuer:

- (i) acquire or offer to acquire (whether publicly or otherwise) by any means whatsoever beneficial ownership of any securities of the Issuer (including convertible securities), if following any such acquisition, BW Holdings and its affiliates would, in the aggregate, directly or indirectly, together with their joint actors, beneficially own more than 20% of the voting securities of the Issuer (including any convertible securities (other than the Warrants), on an as converted basis);
- (ii) propose or seek to effect (whether publicly or otherwise) any merger, business combination, tender offer, exchange offer, take-over bid, statutory arrangement, material asset purchase transaction or other change of control, business combination or business disposition transaction involving the Issuer, its shareholders (in their capacity as shareholders of the Issuer) or its securities;
- (iii) effect, conduct, make, or in any way participate, directly or indirectly, in any solicitation of proxies with respect to any securities of the Issuer (other than any solicitation of proxies conducted by management of the Issuer) or seek to advise or influence any person with respect to the voting of any securities of the Issuer;
- (iv) separately or in conjunction with any other person in which it is or proposes to be either a principal, partner or financing source or is acting or proposes to act as broker or agent for compensation, submit a proposal for or offer of (with or without conditions) (including to the Board) the following involving the Issuer or

any of its subsidiaries or its or their securities or a material amount of the assets or businesses of the Issuer or any of its subsidiaries: any tender offer or exchange offer, merger, acquisition, business combination, reorganization, restructuring, recapitalization, sale or acquisition of material assets, liquidation or dissolution;

- (v) present at any annual meeting or any special meeting of the Issuer's shareholders or through action by written consent any proposal for consideration for action by the Issuer's shareholders or (except as explicitly permitted by the Nomination and Standstill Agreement) propose any nominee for election to the Board or seek the removal of any member of the Board, other than through action at the Board by a director designee of Blue Wolf acting in his or her capacity as such;
- (vi) grant any proxy, consent or other authority to vote with respect to any matters (other than to the named proxies included in the Issuer's proxy for an annual meeting or a special meeting, or to a director or officer of BW Holdings) or deposit any of the voting securities held by BW Holdings or its affiliates in a voting trust or subject them to a voting agreement or other arrangement of similar effect;
- (vii) otherwise attempt to control the management or the Board;
- (viii) make any public announcement or disclosure regarding an intention to do any action restricted by any of the foregoing; or
- (ix) knowingly advise, assist, encourage or act as a financing source for or otherwise join with or invest in any other person in connection with any action restricted by any of the foregoing,

(collectively, the "**Standstill Restrictions**").

Notwithstanding the above, BW Holdings and its affiliates are not restricted from: (i) acquiring securities with the prior written consent of the Issuer, (ii) participating in rights offerings conducted by the Issuer, (iii) receiving stock dividends or similar distributions made by the Issuer, (iv) pursuant to an agreement with the Issuer and with the consent of the Board, acquiring Shares pursuant to a formal tender offer or take-over bid in accordance with applicable laws and the requirements of the Issuer's shareholder rights plan for additional Shares, (v) tendering Shares to a take-over bid for the Shares that the Board has affirmatively recommended that holders of Shares accept, or (vi) disposing of Shares by operation of a statutory amalgamation, statutory arrangement or other statutory procedure involving the Issuer.

Additionally, the Standstill Restrictions shall cease to be effective from and after:

- (i) (A) the commencement or public announcement of a take-over bid, which if completed would result in the acquisition of more than 50% of the then outstanding voting securities of the Issuer by any person or group of persons (other than BW Holdings or its affiliates) and in respect of which the Board has recommended acceptance thereof; or (B) the approval or entering into by the Issuer of, or the public announcement of the approval or entering into by the Issuer of, a transaction or definitive agreement providing a transaction, which if

completed would result in the acquisition of more than 50% of the then outstanding voting securities of the Issuer or all or substantially all of the assets of the Issuer by any person or group of persons (other than BW Holdings or its affiliates); or

- (ii) the date that is one year following the date that the director designees of Blue Wolf cease to be directors of the Issuer.

Item 7 – Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

The acquiror must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the acquiror, certify, or I, as the agent filing the report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated December 21, 2021.

**BW SLC AIV III, L.P., by its general
partner, BLUE WOLF CAPITAL
ADVISORS III, L.P., by its general
partner, BLUE WOLF CAPITAL
ADVISORS III, LLC**

by *(signed) Adam Blumenthal*

Name: Adam Blumenthal

Title: Managing Partner